

KFH Capital REIT
State of Kuwait

Interim Condensed Financial Information (Unaudited)
And review report for the period from 29 October 2019
(Date of registration in the investment Fund's register at
CMA) to 30 June 2020

KFH Capital REIT
State of Kuwait

Interim Condensed Financial Information (Unaudited)

And Review Report for the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

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KFH Capital Investment Company - K.S.C. (Closed) - Fund Manager
KFH Capital REIT
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 ("the Fund") as at 30 June 2020, and the interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020. 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 contravention during the period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020 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 activity or its financial position.

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

Kuwait: 19 July 2020

KFH Capital REIT
State of Kuwait

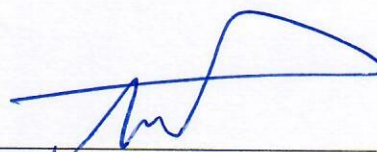
Interim Condensed Statement of Financial Position (Unaudited)
As at 30 June 2020

	Note	30 June 2020 KD
Assets		
Current Assets:		
Cash on hand and at bank		674,633
Accounts receivable and other debit balances	4	102,596
Total current assets		<u>777,229</u>
Non-current assets:		
Investment properties	5	25,365,000
Total non-current assets		<u>25,365,000</u>
Total assets		<u>26,142,229</u>
Liabilities and equity		
Current liabilities:		
Accounts payable and other credit balances	6	431,736
Total current liabilities		<u>431,736</u>
Total liabilities		<u>431,736</u>
Equity:		
Capital	7	23,600,000
Retained earnings		2,110,493
Total equity		<u>25,710,493</u>
Total liabilities and equity		<u>26,142,229</u>
Net assets value per unit	8	<u>1.089</u>

The accompanying notes on pages from 6 to 15 form an integral part of the 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
State of Kuwait

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

	Note	For the three month period from 1 April 2020 to 30 June 2020 KD	For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020 KD
Revenue:			
Rental income		384,514	1,281,661
Change in fair value of investment properties	5	1,938,905	1,938,905
Profit income		-	54,567
Other income		350	1,224
		<u>2,323,769</u>	<u>3,276,357</u>
Expenses:			
Fund Manager fees	9	46,370	155,087
Custodian and Investment Controller fees	10&11	6,084	17,365
Operating expense		34,280	237,954
General and administrative expenses		10,035	31,204
Provision for expected credit loss	4	134,255	134,255
		<u>231,024</u>	<u>575,865</u>
Profit for the period		2,092,745	2,700,492
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>2,092,745</u>	<u>2,700,492</u>

The accompanying notes on pages from 6 to 15 form an integral part of the interim condensed financial information.

KFH Capital REIT
State of Kuwait

Interim Condensed Statement of Changes in Equity (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

	<u>Capital</u> KD	<u>Retained earnings</u> KD	<u>Total</u> KD
Subscriptions during the period	23,600,000	-	23,600,000
Total comprehensive income for the period	-	2,700,492	2,700,492
Cash dividend (Note 13)	-	<u>(589,999)</u>	<u>(589,999)</u>
Balance as at 30 June 2020	<u>23,600,000</u>	<u>2,110,493</u>	<u>25,710,493</u>

The accompanying notes on pages 6 to 15 form an integral part of this interim condensed financial information.

KFH Capital REIT
State of Kuwait

Interim Condensed Statement of Cash Flows (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

	For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020
	KD
Cash flows from operating activities:	
Profit for the period	2,700,492
Adjustments:	
Change in fair value of investment properties	(1,938,905)
Profit income	(54,567)
Provision for expected credit loss	134,255
	<u>841,275</u>
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable and other debit balances	(236,851)
Accounts payable and other credit balances	335,737
Net cash generated from operating activities	<u>940,161</u>
Cash flows from investing activities:	
Purchase of investment properties	(23,362,397)
Profit income received	54,567
Net cash used in investment activities	<u>(23,307,830)</u>
Cash flows from financing activities:	
Proceed from subscriptions	23,600,000
Cash dividends paid	(557,698)
Net cash generated from financing activities	<u>23,042,302</u>
Net increase in cash on hand and at bank	<u>674,633</u>
Cash on hand and at bank at end of the period	<u>674,633</u>

The accompanying notes on pages from 6 to 15 form an integral part of the interim condensed financial information.

KFH Capital REIT
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

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 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 approved for issue by the Fund Manager on 19 July 2020.

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.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

2. Basis of preparation (Continued)

Operating results for the period from 29 October 2019 (Date of registration in the investment Fund's Register at CMA) to 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

The Fund has adopted the previously issued IFRSs, and the following new and amended IFRSs that became effective for the periods beginning on or after 1 January 2019:

a) New standards, interpretations and amendments effective from 1 January 2019

IFRS 16: Leases

This standard becomes effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of the lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The new standard does not significantly change the lease accounting approach for the lessors.

This Standard did not have any material impact on the Fund.

Amendments to IFRS 9: Prepayment features with negative compensation.

Amendments to IAS 28: Long-term interests in associates and joint ventures.

Annual Improvements to IFRSs 2015 – 2017 Cycle (issued in December 2017).

- IFRS 3 - Business combinations.
- IFRS 11 - Joint arrangements.
- IAS 23 - Borrowing Costs.

The application of these amendments and interpretations did not have any material impact on the Fund.

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been early applied by the Fund:

IFRS 17: Insurance Contracts

This standard will become effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

This standard is not expected to have any material impact on the Fund.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

2. Basis of preparation (Continued)

b) Standards and interpretations issued but not effective (Continued)

Definition of a Business (Amendments to IFRS 3)

The amendments in definition of a business in IFRS 3 (Business combinations) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

These amendments are not expected to have any material impact on the Fund.

3. Significant accounting policies

3.1 Financial instruments

The Fund classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Fund becomes a party of the contractual provisions of such instruments.

The Fund's financial assets and liabilities that are stated in the statement of financial position include cash on hand and at bank, accounts receivable and other debits balances and accounts payable and other credit balances.

Financial assets:

Classification and initial recognition

To determine the classification and measurement category of financial assets, IFRS 9 requires assessment of all financial assets, except for equity instruments and derivatives, based on the Fund's business model for managing the Fund's assets and the contractual cash flows characteristics of these instruments.

Financial assets classified in the interim condensed financial information within the scope of IFRS 9 are as follows:

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income.
- Equity instruments at Fair value through profit or loss.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

3. Significant accounting policies (Continued)

3.1 Financial instruments (Continued)

Financial assets: (Continued)

Classification and initial recognition (Continued)

Investments are recognized or derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the concerned market. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss.

Derecognition

The financial assets are derecognised (wholly or partially) when the contractual rights to receive the cash flows from the financial assets expire or when the fund transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Fund transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Fund retains control, it must continue to recognize the financial assets to the extent of its participation therein.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments at amortized cost

A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any. Profits and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognised, adjusted or impaired.

The financial assets carried at amortised cost consist of cash on hand and at bank and accounts receivable and other debit balances.

Impairment of Financial Assets

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from sale of collateral held or other credit enhancements that are regarded as an integral part of the contractual terms.

In terms of the accounts receivables and other debit balances, the Fund applied the standard's simplified approach and calculated ECL on the basis of ECL period. The Fund has established a provision based on the historical experience of credit losses, adjusted for the future factors of debtors and the economic environment.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

3. Significant accounting policies (Continued)

3.1 Financial instruments (continued)

Financial liabilities

All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective interest rate method.

Accounts payable

Account payable and other credit balances item represents a commitment to repay the amount of services that have been purchased in the ordinary course of business. Accounts payable and other credit balances are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. Accounts payable and other credit balances are classified as current liabilities if the payment is due within one year or less (or within the natural operational cycle of the activity, whichever is longer), otherwise they shall be classified as non-current liabilities.

3.2 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially recognized at cost, which contains purchase price and its related transaction costs. Subsequent to initial recognition, investment properties are recognized at fair value at the financial period end date. Profits or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss and other comprehensive income for the period in which they arise.

Investment properties are derecognized when they have been disposed of (i.e. at the date of transfer of control to the purchaser) or when they are definitively withdrawn from use and no future economic benefit is expected from its disposal. Profits or losses arising on disposal or termination of an investment property are recognized in statement of profit or loss and other comprehensive income.

3.3 Leases

The Fund as a lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.4 Capital

The Fund issues units, which are not redeemable, and are classified as equity under the amendment to IAS 32.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

3. Significant accounting policies (Continued)

3.5 Provisions

Provisions are recognized where the Fund has a present obligation (legal or probable) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured. At the end of each financial period, provisions are reviewed and adjusted to reflect the best current estimate. When the time value of money has material effect, the amount recognized as a provision must be the present value of the expected expenses required to settle the obligation. Provisions for operating losses are not recognized.

3.6 Revenue recognition

IFRS 15 establishes a single comprehensive framework to determine how much and when revenue is recognised. Revenue recognition requires recording the amount that reflects the consideration that the Fund expects to be entitled in exchange for sale of goods or performance of services to the customers. IFRS 15 requires considering the opinions, taking into account all relevant facts and circumstances in the process of applying each step of the model to contracts with its customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Revenue is recognized either at a specific time or over a period of time, when the Fund meets the performance commitments by selling the goods or performing the agreed upon services to its customers. The Fund shall transfer control of goods or services over a period of time and not at a specific time upon fulfillment of any of the following criteria:

- The customer receives and consumes the benefits provided through the Fund performance at the same time when the Fund provided the performance, or
- The Fund performance establishes or improves the asset that is controlled by the customer when the asset is constructed or improved, or
- Fund performance does not establish an asset that has an alternative usage to the Fund. The Fund has enforceable right in payments against the completed performance to date.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Fund whether or not control is transferred:

- The Fund shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Fund shall transfer the material acquisition of the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

Since the Fund's income is mainly represented in rental income that falls outside the scope of IFRS 15, the following represents the Fund's income:

Rental income

Rental income is recognized when earned on a time proportion basis.

Profit income

Return income is recognized on time apportionment basis using the effective interest method.

KFH Capital REIT
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

3. Significant accounting policies (Continued)

3.7 Foreign currency

Foreign currency transactions are recorded in Kuwaiti Dinar at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinar at the rate of exchange prevailing on the reporting date. Profits or losses resulted from exchange rate differences are taken to the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinar at the foreign exchange rates ruling at the dates that the value were determined.

3.8 Dividends

Fund recognizes cash dividends to the Unit Holders when they are approved by the Fund manager. Value of such dividends is recognized in equity.

4. Accounts receivable and other debit balances

	<u>30 June 2020</u>
	KD
Accrued rental income	220,164
Provision for expected credit loss	<u>(134,255)</u>
	85,909
Prepaid expenses	5,805
Other	<u>10,882</u>
	<u>102,596</u>

5. Investment properties

	<u>30 June 2020</u>
	KD
Additions (a)	23,426,095
Change in fair value	<u>1,938,905</u>
Balance at the end of the period	<u>25,365,000</u>

(a) During the period ended 30 June 2020, the Fund purchased investment properties in the State of Kuwait from related parties after obtaining approval of the regulatory authorities of total amount KD 23,075,500 and commission for purchasing assets of KD 230,755 and registration fees of KD 119,840. Procedures for ownership transfer of investment properties of KD 13,961,000 were not completed. Accordingly, they were stated in the 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 3,594,000, which is constructed on lands leased from Public Authority for Industry.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

5. Investment properties (Continued)

The fair value of investment properties is based on valuations performed by accredited independent valuation experts using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule, and had considered the nature and usage of the investment properties:

	Valuation techniques	30 June 2020	
		Level 3 KD	Total KD
Investment properties	Income approach	25,365,000	25,365,000
		<u>25,365,000</u>	<u>25,365,000</u>

6. Accounts payable and other credit balances

	30 June 2020 KD
Accrued Fund Manager fees	46,370
Accrued Custodian and Investment Controller fees	6,084
Accrued commission for purchase and registration of investment properties	63,698
Trade payables	124,682
Refundable deposits	84,378
Accrued expenses	61,784
Dividends payable	32,301
Rent received in advance	2,195
Due to the property's manager	5,657
Other	4,587
	<u>431,736</u>

7. Capital

In accordance with article No. (12) of the Fund's Articles of Association, the Fund is closed and has fixed capital of KD 23,600,000 distributed over 23,600,000 units with a nominal value of KD 1. The Fund's capital is divided into units of equal value. The Fund's Unit Holders responsibility is limited to the amount of their participation in the capital. In all cases, fund's capital should not be less than KD 5 Million.

8. Net assets value per unit

	30 June 2020
Total assets (KD)	26,142,229
Total liabilities (KD)	(431,736)
Net assets (KD)	<u>25,710,493</u>
Number of the outstanding units (units)	23,600,000
Net asset value per unit (KD)	<u>1.089</u>

KFH Capital REIT
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020

9. 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 also receives incentive fees equivalent to 20% for an IRR perofimrnace exceeding 7%, for every property individually.

10. 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.

11. Investment controller fees

In accordance with article No. (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.

12. Related party disclosures

These transactions represent the transactions carried out with Units' holders, Fund Manager, Custodian and 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:

	30 June 2020
	KD
<u>Balances included in the interim condensed statement of financial position:</u>	
Accrued Fund Manager fees	46,370
Accrued Fund Custodian and Investment Controller fees	6,084
	For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA) to 30 June 2020
	For the three month period from 1 April 2020 to 30 June 2020
	KD
	KD
<u>Transactions included in the interim condensed statement of profit or loss and other comprehensive income:</u>	
Profit income	-
Fund Manager fees	46,370
Custodian and Investment Controller fees	6,084
	54,567
	155,087
	17,365

In accordance with article No. (14) of the Fund's Articles of Association, The Fund Manager subscription units should not be less than KD 250,000 and should not exceed 75% of the Fund's capital. As at 30 June 2020, the number of units subscribed by the Fund manager is 250,000 units with nominal value of KD 250,000.

Notes to Interim Condensed Financial Information (Unaudited)

For the Period from 29 October 2019 (Date of registration in the investment Fund's register at CMA)
to 30 June 2020

13. Cash dividends to unit holders

During the period ended 30 June 2020, the Fund distributed cash dividends with total amount of KD 589,999.

14. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants as at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

The fair value of the investment properties are disclosed in Note (5).

As at 30 June 2020, the fair value of financial instruments approximates its carrying amount. 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.

15. The economic situation due to Coronavirus

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

Based on the decisions of the executive committee of the fund during the period ended 30 June 2020, it was approved to grant discounts of various percentage on rental values for the tenants whose businesses were disrupted as a result of the current events for the period starting from March 2020 until June 2020. Accordingly, during the period ended 30 June 2020 the total amount of rental discount is KD 88,842.

During the period ended 30 June 2020, the Fund manager has recorded provision for expected credit losses with an amount of KD 134,255.

The Fund Manager considers that the time period for Coronavirus (COVID-19) is not specified and it is difficult to anticipate any future results that might arise therefrom including any decline in the future rental values 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.