

**Al Rai Media Group Company K.S.C.  
Kuwait**

**Independent Auditors' Review Report and  
Interim Consolidated Financial Information (Unaudited)**

**31 March 2013**

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**Deloitte & Touche**  
**Al-Fahad Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq  
Dar Al-Awadi Complex, Floors 7 & 9  
P.O. Box 20174 Safat 13062 or  
P.O. Box 23049 Safat 13091  
Kuwait

Tel : + 965 22408844, 22438060  
Fax: + 965 22408855, 22452080

[www.deloitte.com](http://www.deloitte.com)

**Al Rai Media Group Company K.S.C.**  
**Kuwait**

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

### **Report on Review of Interim Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Al Rai Media Group K.S.C. ("the Parent Company") and its subsidiaries (together called "the Group") as of 31 March 2013 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, 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 consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

### **Report on Review of Other Legal and Regulatory Requirements**

Furthermore, based on our review, the accompanying interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that to the best of our knowledge and belief, no violation of the Companies Law No. 25 of 2012, as amended, or the Articles of Association of the Company have occurred during the three-month period ended 31 March 2013 that might have had a material effect on the business of the Group or on its financial position.

**Talal Y. Al-Muzaini**  
Licence No. 209A  
Deloitte & Touche  
Al-Fahad Al-Wazzan & Co.

Kuwait  
12 May 2013



**Horwath Al-Muhanna & Co.**  
*Certified Accountants*  
Member Crowe Horwath International

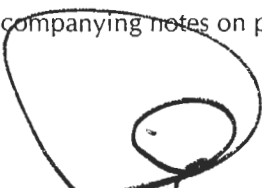
P.O. Box 26154, Safat  
13122 - Kuwait  
+965 224 525 46/7/8  
+965 224 525 49 Fax  
[www.crowehorwath.com.kw](http://www.crowehorwath.com.kw)

**Rabea Saad Al-Muhanna**  
Licence No. 152A  
Horwath Al-Muhanna & Co.

Condensed Consolidated Statement of Financial Position as of 31 March 2013 (Unaudited)

	Note	Kuwaiti Dinars		
		31 March 2013	31 December 2012 (Audited)	31 March 2012
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		734,748	776,063	1,145,915
Intangible assets	3	37,679,488	37,863,716	38,633,324
		<u>38,414,236</u>	<u>38,639,779</u>	<u>39,779,239</u>
<b>Current assets</b>				
Inventories		199,324	220,776	172,954
Trade and other receivables	4	3,528,391	2,816,365	3,875,230
Due from related parties		333,500	394,951	2,966
Cash and cash equivalents	5	2,128,333	1,418,794	532,911
		<u>6,189,548</u>	<u>4,850,886</u>	<u>4,584,061</u>
<b>Total assets</b>		<u>44,603,784</u>	<u>43,490,665</u>	<u>44,363,300</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	6	23,303,860	23,303,860	23,303,860
Treasury shares		(75,000)	(75,000)	(75,000)
Statutory reserve		583,274	583,274	277,776
Voluntary reserve		583,274	583,274	277,776
Retained earnings		5,548,168	4,328,518	3,236,754
		<u>29,943,576</u>	<u>28,723,926</u>	<u>27,021,166</u>
<b>Non-current liabilities</b>				
Bank loan	7	7,500,000	8,000,000	9,500,000
Post employment benefits		1,326,067	1,304,930	1,241,867
		<u>8,826,067</u>	<u>9,304,930</u>	<u>10,741,867</u>
<b>Current liabilities</b>				
Due to related parties		121,050	299,648	792,672
Bank loan	7	2,000,000	2,000,000	2,000,000
Trade and other payables	8	3,713,091	3,162,161	3,807,595
		<u>5,834,141</u>	<u>5,461,809</u>	<u>6,600,267</u>
<b>Total liabilities</b>		<u>14,660,208</u>	<u>14,766,739</u>	<u>17,342,134</u>
<b>Total equity and liabilities</b>		<u>44,603,784</u>	<u>43,490,665</u>	<u>44,363,300</u>

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

  
Jassim Marzouk Boodai  
Chairman

  
Youssef Ahmed Al Jalahmah  
Deputy Chairman & General Manager

Al Rai Media Group Company K.S.C.  
Kuwait

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income (Unaudited)  
For the period ended 31 March 2013

	Note	Kuwaiti Dinars	
		Three months ended	
		31 March 2013	31 March 2012
<b>Revenues</b>			
Revenues		4,104,221	3,828,182
Other revenues		156,068	160,194
		<u>4,260,289</u>	<u>3,988,376</u>
<b>Expenses</b>			
Materials		(640,041)	(674,458)
Staff		(1,096,702)	(1,105,167)
Advertisement and promotion		(317,097)	(269,120)
Lease		(46,277)	(51,647)
Depreciation and amortization		(260,312)	(158,447)
Other expenses		(486,558)	(194,170)
Provision for doubtful debts		-	(90,000)
Finance cost		(136,952)	(200,571)
Profit before statutory contributions		<u>1,276,350</u>	<u>1,244,796</u>
Contribution to Kuwait Foundation for Advancement of Science (KFAS)		(11,487)	(11,203)
Contribution to Zakat		(12,918)	(14,028)
Contribution to National Labour Support Tax (NLST)		(32,295)	(35,070)
<b>Profit for the period</b>		<u>1,219,650</u>	<u>1,184,495</u>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<u>1,219,650</u>	<u>1,184,495</u>
<b>Basic and diluted earnings per share (fils)</b>	9	<u>5.27</u>	<u>5.12</u>

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

Al Rai Media Group Company K.S.C.  
Kuwait

Condensed Consolidated Statement of Changes in Equity (Unaudited)  
For the period ended 31 March 2013

	Kuwaiti Dinars					Total
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Retained earnings	
<b>Balance as at 1 January 2013</b>	23,303,860	(75,000)	583,274	583,274	4,328,518	28,723,926
Total comprehensive income for the period	-	-	-	-	1,219,650	1,219,650
<b>Balance as at 31 March 2013</b>	<u>23,303,860</u>	<u>(75,000)</u>	<u>583,274</u>	<u>583,274</u>	<u>5,548,168</u>	<u>29,943,576</u>
<b>Balance as at 1 January 2012</b>	23,303,860	(75,000)	277,776	277,776	2,052,259	25,836,671
Total comprehensive income for the period	-	-	-	-	1,184,495	1,184,495
<b>Balance as at 31 March 2012</b>	<u>23,303,860</u>	<u>(75,000)</u>	<u>277,776</u>	<u>277,776</u>	<u>3,236,754</u>	<u>27,021,166</u>

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

Al Rai Media Group Company K.S.C.  
Kuwait

Condensed Consolidated Statement of Cash Flows (Unaudited)  
For the period ended 31 March 2013

	Kuwaiti Dinars	
	Three months ended	
	31 March 2013	31 March 2012
<b>Cash flows - operating activities</b>		
Profit for the period	1,219,650	1,184,495
Adjustments:		
Depreciation & amortization	260,312	158,447
Provision for doubtful debts	-	90,000
Finance cost	136,952	200,571
Operating profit before changes in working capital	1,616,914	1,633,513
Inventories	21,452	39,969
Trade and other receivables	(712,026)	(623,558)
Due from related parties	61,451	(677)
Post employment benefits	21,137	68,019
Due to related parties	(178,598)	199,872
Trade and other payables	550,930	238,707
Net cash from operating activities	1,381,260	1,555,845
<b>Cash flows - investing activities</b>		
Acquisition of property and equipment - net	(15,645)	(26,616)
Acquisition of intangible assets - net	(19,124)	(706,649)
Net cash used in investing activities	(34,769)	(733,265)
<b>Cash flows - financing activities</b>		
Bank loan	(500,000)	(500,000)
Finance cost	(136,952)	(200,571)
Net cash used in financing activities	(636,952)	(700,571)
<b>Net increase in cash and cash equivalents</b>	<b>709,539</b>	<b>122,009</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,418,794</b>	<b>410,902</b>
<b>Cash and cash equivalents at end of the period (Note 5)</b>	<b>2,128,333</b>	<b>532,911</b>

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

**1. Constitution & activities**

Al Rai Media Group Company K.S.C. ("the Parent Company") is a Kuwaiti Shareholding Company incorporated by Amiri Decree in 2003 and it was registered in the commercial register in September 2003 with registration number 94852. The Parent Company was listed on the Kuwait Stock Exchange on 26 October 2010.

The Parent Company's registered office is at P.O. Box 2292, Safat 13023 Kuwait.

The objectives of the Parent Company are printing, publication and distribution of daily newspapers; production and broadcasting of visual and sound media and investment of surplus funds in portfolios managed by portfolio managers.

The Parent Company and the following wholly owned subsidiaries are collectively referred to as "the Group" in this interim consolidated financial information.

- Publisher Printing Press Company W.L.L., Kuwait, a company engaged in activities similar to that of the Parent Company.
- Al Rai Company for Strategic Studies - W.L.L, Kuwait engaged primarily in strategic and management consultancy activities.
- Al Rai International Company for Publicity and Advertising W.L.L., Kuwait engaged in advertising and publicity.
- Al Rai Production W.L.L., Kuwait engaged in production of visual and sound media.
- Al Rai United Publications Company W.L.L., Kuwait engaged in printing, publication and distribution activities.

This interim consolidated financial information were approved and authorized for issue by the Board of Directors on 12 May 2013.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.

**2. Significant accounting policies**

**2.1 Basis of preparation**

This interim consolidated financial information has been prepared in compliance with International Accounting Standard IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2012 except for adoption of the new and ammended IFRS that become effective from 1 January 2013 and those are applicable to the Group.

This interim consolidated financial information does not contain all information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended 31 March 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information refer to the financial statements and notes thereto included in the Group's audited financial statements for the year ended 31 December 2012.



## 2.2 New and amended standards

### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

The adoption of this standard has not resulted in any material additional disclosures. The Group will review before the year end and may disclose any additional disclosure in the annual consolidated financial statements of the Group.

### *IFRS 13 Fair Value Measurement*

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The adoption of this standard has not resulted in any material additional disclosures in the interim condensed consolidated financial information of the Group. However adoption of the above standard may result in more enhanced disclosures in the annual consolidated financial statements of the Group.

### *IAS 1 Financial Statement Presentation*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has resulted in presentation changes in statement of comprehensive income.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2013

3. Intangible assets

	Kuwaiti Dinars			Total
	Programs	Goodwill	Programs in progress	
<b>Cost</b>				
As at 1 January 2013	7,598,036	37,542,330	176,249	45,316,615
Additions	-	-	19,124	19,124
Transfers	112,500	-	(112,500)	-
As at 31 March 2013	<u>7,710,536</u>	<u>37,542,330</u>	<u>82,873</u>	<u>45,335,739</u>
<b>Amortization</b>				
As at 1 January 2013	7,452,899	-	-	7,452,899
Amortization for the period	203,352	-	-	203,352
As at 31 March 2013	<u>7,656,251</u>	<u>-</u>	<u>-</u>	<u>7,656,251</u>
<b>Net book value</b>				
As at 31 March 2013	<u>54,285</u>	<u>37,542,330</u>	<u>82,873</u>	<u>37,679,488</u>

4. Trade and other receivables

	Kuwaiti Dinars		
	31 March 2013	31 December 2012 (Audited)	31 March 2012
Trade and notes receivables	5,918,372	5,282,891	5,290,163
Less: Provisions	<u>(2,978,000)</u>	<u>(2,983,693)</u>	<u>(2,253,272)</u>
	2,940,372	2,299,198	3,036,891
Prepaid expenses	148,742	135,967	145,454
Staff receivables	12,473	9,276	24,065
Suppliers advance payment	6,588	74,297	371,212
Others	420,216	297,627	297,608
	<u>3,528,391</u>	<u>2,816,365</u>	<u>3,875,230</u>

5. Cash and cash equivalents

	Kuwaiti Dinars		
	31 March 2013	31 December 2012 (Audited)	31 March 2012
Cash on hand	78,747	46,519	153,376
Banks current accounts	<u>2,049,586</u>	<u>1,372,275</u>	<u>379,535</u>
	<u>2,128,333</u>	<u>1,418,794</u>	<u>532,911</u>

6. Share capital

The Parent Company's authorized, issued and paid up capital is KD 23,303,860 comprising of 233,038,601 shares of 100 fils each (31 December 2012 and 31 March 2012: KD\* 23,303,860 comprising of 233,038,601 shares of 100 fils each).

7. Bank loan

This represents loan from a local commercial bank and carries an effective interest rate of 5.25% per annum (31 December 2012: 5.25% and 31 March 2012: 6.50%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2013

8. Trade and other payables

	Kuwaiti Dinars		
	31 March 2013	31 December 2012 (Audited)	31 March 2012
Trade payables	1,145,740	1,086,734	1,358,849
Advances from customers	594,845	839,952	631,900
Accrued expenses	1,168,350	621,655	1,024,841
Zakat	53,623	40,705	45,688
KFAS	38,982	39,859	23,567
NLST	132,457	100,162	112,620
Staff payable	67,708	92,547	106,012
Others	511,386	340,547	504,118
	<u>3,713,091</u>	<u>3,162,161</u>	<u>3,807,595</u>

9. Earnings per share – basic and diluted

Basic and diluted earnings per share is calculated by dividing profit for the period by the weighted average number of shares outstanding during the period.

	Three months ended 31 March	
	2013	2012
Profit for the period – Kuwaiti Dinars	1,219,650	1,184,495
Weighted average number of shares outstanding during the period	231,538,600	231,538,600
Earnings per share (fils) – Basic and diluted	5.27	5.12

10. Segment information

The Group's operating segments are determined based on the reports reviewed by the executive function that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- Print media segment - printing, publication and distribution of an Arabic language daily newspaper in Kuwait.
- Visual and audio media segment - Production of visual and audio media

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The Group measures the performance of operating segments through measure of segment profit or loss net of taxes in management and reporting system.

Segment assets principally comprise of all assets and segment liabilities comprise of all liabilities.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2013

The following table presents revenue, profit for the period and total assets information regarding the Group's reportable segment.

	Kuwaiti Dinars		
	Print media	Visual and audio media	Total
<b>31 March 2013</b>			
Revenue	4,157,803	102,486	4,260,289
Profit of reportable segments for the period	1,459,189	(102,587)	1,356,602
Total assets	44,019,350	584,434	44,603,784
<b>31 March 2012</b>			
Revenue	3,852,196	136,180	3,988,376
Profit of reportable segments for the period	1,392,880	(7,814)	1,385,066
Total assets	42,679,035	1,684,265	44,363,300

	Kuwaiti Dinar	
	Three months ended	
	31 March 2013	31 March 2012
<b>Profit</b>		
Total profit of reportable segments	1,356,602	1,385,066
Finance cost	(136,952)	(200,571)
<b>Entity's profit</b>	<u>1,219,650</u>	<u>1,184,495</u>

11. Related party transactions

The Group enters into transactions with related parties (directors, key managerial personnel and companies of which they are principal owners) on terms and conditions approved by management. Related party transactions during the period, other than disclosed elsewhere in these interim consolidated financial information are given below:

The following is a statement of the related party transactions:

	Kuwaiti Dinars	
	Three months ended 31 March	
	2013	2012
<b>Transactions:</b>		
Sales of programs	30,000	-
Advertisement income	41,457	69,770
Rent	32,508	32,508
Others	19,006	16,797
Key management compensation	217,056	174,524

12. Contingent liabilities

	Kuwaiti Dinars		
	31 March 2013	31 December 2012 (Audited)	31 March 2012
	Letters of guarantee	236,400	235,834

13. Seasonality

The Group operates in an industry where the demand for its services are higher in certain months of the year due to summer holidays and festival season. Accordingly, the Group's revenue and related costs may vary from quarter to quarter.