



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

**Independent Auditor's Review Report  
and  
Interim Condensed Consolidated Financial Information (Unaudited)  
30 June 2020**

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

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS**

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

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Rai Media Group Company K.S.C.P, Kuwait ("the Parent Company") and its subsidiaries (together called "the Group") as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

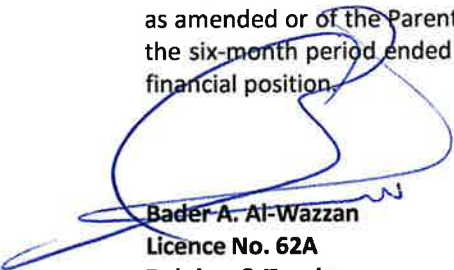
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 condensed consolidated 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 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, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the six-month period ended 30 June 2020 that might have had a material effect on the business of the Group or on its financial position.



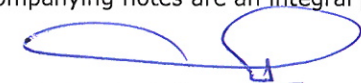
**Bader A. Al-Wazzan**  
Licence No. 62A  
Deloitte & Touche  
Al-Wazzan & Co.

Kuwait  
13 August 2020

**Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020 (Unaudited)**

	Note	Kuwaiti Dinars		
		30 June 2020	31 December 2019 (Audited)	30 June 2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		2,457,225	2,527,188	1,692,956
Goodwill		12,696,231	12,696,231	16,063,231
		<u>15,153,456</u>	<u>15,223,419</u>	<u>17,756,187</u>
<b>Current assets</b>				
Inventories		134,638	117,258	122,038
Trade and other receivables	3	1,063,227	1,610,811	2,639,826
Due from related parties		3,510	41,448	247,530
Cash and cash equivalents	4	929,372	711,106	673,814
		<u>2,130,747</u>	<u>2,480,623</u>	<u>3,683,208</u>
<b>Total assets</b>		<u>17,284,203</u>	<u>17,704,042</u>	<u>21,439,395</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	5	23,303,860	23,303,860	23,303,860
Treasury shares	5	(75,000)	(75,000)	(75,000)
Statutory reserve		2,980,577	2,980,577	2,980,577
Voluntary reserve		2,980,577	2,980,577	2,980,577
Accumulated losses		(19,179,647)	(18,840,633)	(15,210,237)
		<u>10,010,367</u>	<u>10,349,381</u>	<u>13,979,777</u>
<b>Non-current liabilities</b>				
Post-employment benefits		1,077,797	1,071,036	1,058,165
Bank loan	6	1,905,000	2,075,000	-
Lease liabilities		139,038	149,702	-
Due to related parties	7	205,976	-	-
Trade and other payables	8	265,016	-	-
		<u>3,592,827</u>	<u>3,295,738</u>	<u>1,058,165</u>
<b>Current liabilities</b>				
Bank loan	6	510,000	340,000	2,670,000
Lease liabilities		21,270	12,044	-
Due to related parties	7	706,640	808,943	709,899
Trade and other payables	8	2,443,099	2,897,936	3,021,554
		<u>3,681,009</u>	<u>4,058,923</u>	<u>6,401,453</u>
<b>Total liabilities</b>		<u>7,273,836</u>	<u>7,354,661</u>	<u>7,459,618</u>
<b>Total equity and liabilities</b>		<u>17,284,203</u>	<u>17,704,042</u>	<u>21,439,395</u>

The accompanying notes are an integral part of this interim condensed consolidated financial information.



**Youssef Ahmed Al Jalahmah**  
Deputy Chairman & Chief Executive Officer



Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the period ended 30 June 2020 (Unaudited)

	Note	Kuwaiti Dinars			
		Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
<b>Revenues</b>					
Revenues		529,569	2,643,181	1,904,895	4,567,278
<b>Expenses</b>					
Materials		(61,535)	(348,262)	(290,647)	(690,784)
Cost of advertising		(195,674)	(926,500)	(470,339)	(1,464,975)
Staff costs		(361,126)	(773,587)	(1,004,406)	(1,541,883)
Advertisement and promotion		(33,122)	(97,080)	(120,468)	(200,297)
Lease		(14,285)	(70,631)	(31,183)	(140,133)
Depreciation		(49,454)	(21,212)	(91,515)	(54,026)
Other expenses		(86,152)	(186,107)	(210,746)	(331,252)
<b>Operating loss/(profit)</b>		<b>(271,779)</b>	<b>219,802</b>	<b>(314,409)</b>	<b>143,928</b>
Other income		24,417	1,280	32,890	1,781
Finance cost		(25,651)	(28,926)	(57,495)	(56,609)
<b>(Loss) / profit before taxes</b>		<b>(273,013)</b>	<b>192,156</b>	<b>(339,014)</b>	<b>89,100</b>
Contribution to Zakat		-	-	-	-
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		-	-	-	-
Contribution to National Labor Support Tax (NLST)		-	-	-	-
<b>(Loss) / profit for the period</b>		<b>(273,013)</b>	<b>192,156</b>	<b>(339,014)</b>	<b>89,100</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive (loss)/ income for the period</b>		<b>(273,013)</b>	<b>192,156</b>	<b>(339,014)</b>	<b>89,100</b>
<b>(Loss) / earnings per share – basic and diluted (fils)</b>	9	<b>(1.179)</b>	<b>0.830</b>	<b>(1.464)</b>	<b>0.385</b>

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity - For the period ended 30 June 2020 (Unaudited)

	Kuwaiti Dinars					Total
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Accumulated losses	
<b>Balance as at 1 January 2020</b>	23,303,860	(75,000)	2,980,577	2,980,577	(18,840,633)	10,349,381
Total comprehensive loss for the period	-	-	-	-	(339,014)	(339,014)
<b>Balance as at 30 June 2020</b>	23,303,860	(75,000)	2,980,577	2,980,577	(19,179,647)	10,010,367
<b>Balance as at 1 January 2019</b>	23,303,860	(75,000)	2,980,577	2,980,577	(15,299,337)	13,890,677
Total comprehensive income for the period	-	-	-	-	89,100	89,100
<b>Balance as at 30 June 2019</b>	23,303,860	(75,000)	2,980,577	2,980,577	(15,210,237)	13,979,777

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows –  
For the period ended 30 June 2020 (Unaudited)

	Note	Kuwaiti Dinars	
		Six months ended	
		30 June	
		2020	2019
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period before taxes		(339,014)	89,101
Adjustments:			
Depreciation		91,515	54,026
Provision for post-employment benefits		80,411	262,044
Finance cost		57,495	56,609
<i>Operating (loss)/profit before working capital changes</i>		<u>(109,593)</u>	<u>461,780</u>
Changes in working capital:			
Inventories		(17,380)	37,407
Trade and other receivables		557,205	(544,651)
Due from related parties		37,938	236,057
Due to related parties		103,673	153,245
Trade and other payables		(243,984)	148,182
<i>Cash generated from operations</i>		<u>327,859</u>	<u>492,020</u>
Payment of post-employment benefits		(73,650)	(665,721)
<i>Net cash generated from/(used in) operating activities</i>		<u>254,209</u>	<u>(173,701)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(31,173)	(860,350)
Net movement in bank balance blocked		107,595	45,957
<i>Net cash from/(used in) investing activities</i>		<u>76,422</u>	<u>(814,393)</u>
<b>Cash flows from financing activities</b>			
Proceeds from bank loan		-	70,000
Finance cost paid		(3,332)	(56,609)
Payment of principal element of lease liability		(1,438)	(8,547)
<i>Net cash (used in)/from financing activities</i>		<u>(4,770)</u>	<u>4,844</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		325,861	(983,250)
Cash and cash equivalents at beginning of the period	4	201,836	1,226,655
Cash and cash equivalents at end of the period	4	<u>527,697</u>	<u>243,405</u>

The accompanying notes are an integral part of this interim condensed consolidated financial information.

**1. Constitution & activities**

Al Rai Media Group Company K.S.C.P (“the Parent Company”) is a Kuwaiti Public Shareholding Company incorporated by Amiri Decree in 2003 and it was registered in the commercial register on 28 September 2003 with registration number 94852.

The Parent Company’s shares are listed on the Boursa Kuwait. The Board of Directors of the Parent Company in their meeting held on 14 July 2020 proposed voluntary delisting of the shares from Boursa Kuwait. The meeting of shareholders is yet to be held to approve this.

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 condensed consolidated financial information:

- Publisher Printing Press Company W.L.L, Kuwait (PPP) engaged in activities similar to that of the Parent Company.
- Al Rai International Company for Marketing and Advertising W.L.L, Kuwait (RIMA) engaged in advertising and publicity.
- Al Rai Production Company W.L.L, Kuwait (RPC) engaged in production of visual and sound media.
- Al Rai United Publications Company W.L.L, Kuwait (RUPC) engaged in printing, publication and distribution activities.

This interim condensed consolidated financial information was approved and authorized for issue by the Parent Company’s Board of Directors on 13 August 2020.

**2. Basis of preparation and significant accounting policies**

**2.1 Basis of preparation**

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, “Interim Financial Reporting”. Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of the Group for the year ended 31 December 2019.

Amendments to IFRSs and interpretations that apply for the first time in 2020 do not have an impact on the condensed consolidated interim financial information of the Group.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2019.



As of 30 June 2020, the Group's accumulated losses amounting to KD 19,179,647 (31 December 2019: KD 18,840,633; 30 June 2019: KD 15,210,237) constituted more than 75% of its share capital (31 December 2019: more than 75% of its share capital; 30 June 2019: less than 75% of its share capital) and as of that date, the Group's current liabilities exceeded its current assets by KD 1,550,262 (31 December 2019: KD 1,578,300; 30 June 2019: KD 2,718,245). As required under Article 271 of the Companies Law No. 1 of 2016, as amended, the Board of Directors of the Parent Company held a meeting on 24 February 2020 to consider these matters and recommended the restructuring of the share capital of the Parent Company by writing off accumulated losses, which was approved by the extra ordinary general meeting held on 07 May 2020 and by Capital Market Authority on 16 June 2020. The extra ordinary general meeting to approve the implementation of the reduction of share capital has not yet been held (note 5).

This interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business, as the shareholders in their extra ordinary general meeting held on 07 May 2020 resolved to provide full support to continue the business. The interim condensed consolidated financial information does not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.

The Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2019 at the annual general assembly meeting held on 07 May 2020.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

## **2.2 Judgment and estimates**

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The key sources of estimates and judgements are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2019, with the exception of the impact, if any, of the COVID - 19 outbreak which is detailed below.

The outbreak of coronavirus ("COVID-19") pandemic across the globe has caused disruption to business and economic activities and uncertainties in the global economic environment. Based on the instructions from Government, printing of newspapers was stopped with effect from 11 May 2020 and was re-started from 23 June 2020 onwards. This resulted in sharp decline in revenue. The management made a number of decisions, including reducing costs, negotiating with a bank for deferral of loan instalments (note 6) and agreeing with related parties to postpone their dues (note 7). The Group is closely monitoring the situation and has activated its business continuity plan and other risk management practices to manage the business disruption in order to boost the liquidity and sustain the business.

Management assessed the impact of the pandemic on the significant estimates and judgements applied by them in arriving at the Group's reported amounts of financial and non-financial assets as of 30 June 2020. Management concluded that the values of financial and non financial assets and liabilities and operational results currently carried in the financial information do not need any further adjustment due to the impact of COVID-19

The management also developed projections covering the Group's future performance, capital and liquidity. At the present time the projections show that the Group has adequate resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019; and will have adequate funds to meet its current obligations. As a result, these interim condensed consolidated financial information have been appropriately prepared on a going concern basis.

Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

Notes to the Interim Condensed Consolidated Financial Information – 30 June 2020 (Unaudited)

3. Trade and other receivables

	Kuwaiti Dinars		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
Trade receivables	3,611,811	4,089,433	4,863,034
Less: loss allowance	(2,750,230)	(2,734,510)	(2,704,791)
	<u>861,581</u>	<u>1,354,923</u>	<u>2,158,243</u>
Other receivables:			
Prepaid expenses	45,140	74,658	119,975
Staff receivables	19,818	26,124	20,753
Advances to suppliers	25,760	16,867	118,131
Others	193,785	236,816	222,724
Less: loss allowance	(82,857)	(98,577)	-
	<u>1,063,227</u>	<u>1,610,811</u>	<u>2,639,826</u>

4. Cash and cash equivalents

	Kuwaiti Dinars		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
Cash and cheques in hand	18,121	9,206	24,848
Cash at banks	911,251	701,900	648,966
Cash and bank balances	<u>929,372</u>	<u>711,106</u>	<u>673,814</u>
Less:			
Blocked bank balance	(401,675)	(509,270)	(430,409)
Cash and cash equivalent in the interim condensed consolidated statement of cash flows	<u>527,697</u>	<u>201,836</u>	<u>243,405</u>

Blocked bank balance represents cash with a bank restricted for dividend payments to the shareholders and earmarked deposit against letters of guarantee issued by the bank.

5. 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 2019 and 30 June 2019: KD 23,303,860 comprising of 233,038,601 shares of 100 fils each) fully paid up in cash.

*Proposed reduction of share capital*

Based on the approval of Capital Market Authority dated 16 June 2020 (note 2.1), the Board of Directors of the Parent Company held a meeting on 14 July 2020 and proposed to reduce the authorized, issued and fully paid-up share capital from KD 23,303,860 to KD 10,349,381 by reducing the number of shares from 233,038,601 of 100 fils each to 103,493,811 shares of 100 fils each, by writing off accumulated losses and reserves. Legal formalities to give effect to this decision are in progress.

*Treasury shares*

	30 June 2020	31 December 2019 (Audited)	30 June 2019
Number of shares	1,500,000	1,500,000	1,500,000
Percentage of issued shares	0.64%	0.64%	0.64%
Market value (KD)	55,350	56,700	58,800
Cost (KD)	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>

**Notes to the Interim Condensed Consolidated Financial Information – 30 June 2020 (Unaudited)**

The Parent Company is required to retain reserves and retained earnings equivalent to the treasury shares value throughout the period, in which they are held by the Parent Company, pursuant to the instructions of the relevant regulatory authorities. These shares are not pledged.

**6. Bank loan**

During the current period, loan instalment amounting to KD 170,000 was past due and unpaid to a local bank in Kuwait. To counter the economic impacts of COVID-19, the bank accepted to defer the payment of instalment to 29 September 2020.

**7. Due to related parties**

	Kuwaiti Dinars		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
Current	706,640	808,943	709,899
Non-current	205,976	-	-
	<u>912,616</u>	<u>808,943</u>	<u>709,899</u>

To counter the economic impacts of COVID 19, various related parties agreed to postpone the settlement of their current dues, and are accordingly classified as non-current.

**8. Trade and other payables**

	Kuwaiti Dinars		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
Trade payables	897,727	863,716	847,129
Advances from customers	565,801	653,071	793,013
Accrued expenses	279,774	228,939	354,697
Provision for staff leave	223,855	178,220	208,059
Dividends payable	301,675	309,270	330,409
Taxes and contributions	-	-	17,346
Staff payables	109,525	111,605	114,693
Others	329,758	553,115	356,208
	<u>2,708,115</u>	<u>2,897,936</u>	<u>3,021,554</u>
Current portion	2,443,099	2,897,936	3,021,554
Non-current portion	265,016	-	-
	<u>2,708,115</u>	<u>2,897,936</u>	<u>3,021,554</u>

**9. (Loss)/earnings per share – basic and diluted**

Earnings per share is calculated by dividing (loss)/profit for the period by the weighted average number of shares outstanding during the period (excluding treasury shares)

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
(Loss) / profit for the period	(273,013)	192,156	(339,014)	89,100
Weighted average number of shares outstanding during the period	231,538,601	231,538,601	231,538,601	231,538,601
(Loss) / earnings per share – basic and diluted (fils)	<u>(1.179)</u>	<u>0.830</u>	<u>(1.46)</u>	<u>0.385</u>

**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 and other media segment – printing, publication and distribution of an Arabic language daily newspaper in Kuwait and other media.
- Visual and audio media segment – Placing third party advertisements.

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. The following table presents revenue, profit/ (loss) for the period and total assets and liabilities relating to the Group's reportable segments:

	Kuwaiti Dinars		
	Print and other media	Visual and audio media	Total
<b>30 June 2020</b>			
Revenue	1,430,630	474,265	1,904,895
Operating (loss)/profit	(377,005)	62,596	(314,409)
Finance cost	(57,495)	-	(57,495)
Other income	32,890	-	32,890
	<u>(401,610)</u>	<u>62,596</u>	<u>(339,014)</u>
<i>Unallocated items:</i>			
Contribution to Zakat	-	-	-
KFAS	-	-	-
NLST	-	-	-
(Loss)/profit for the period	<u>(401,610)</u>	<u>62,596</u>	<u>(339,014)</u>
Reportable segment assets	17,281,784	2,419	17,284,203
Reportable segment liabilities	7,269,000	4,836	7,273,836
Capital expenditure incurred during the period	31,173	-	31,173
<b>30 June 2019</b>			
Revenue	3,231,755	1,335,523	4,567,278
Operating (loss)/profit	(64,594)	208,522	143,928
Finance cost	(56,609)	-	(56,609)
Other income	781	1,000	1,781
	<u>(120,422)</u>	<u>209,522</u>	<u>89,100</u>
<i>Unallocated items:</i>			
Contribution to Zakat	-	-	-
KFAS	-	-	-
NLST	-	-	-
(Loss)/profit for the period	<u>(120,422)</u>	<u>209,522</u>	<u>89,100</u>
Reportable segment assets	21,435,300	4,095	21,439,395
Reportable segment liabilities	7,454,410	5,208	7,459,618
Capital expenditure incurred during the period	860,138	212	860,350

The Group operates from Kuwait only.

**Notes to the Interim Condensed Consolidated Financial Information – 30 June 2020 (Unaudited)**

**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 condensed consolidated financial information are given below:

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
<b>Transactions:</b>				
<i>Expenses</i>				
Cost of advertising, other operating expenses and materials	197,430	942,831	474,821	1,381,233
Lease contracts	-	45,750	-	91,507
<b>Key management compensation</b>				
Salaries and other short term employee benefits	48,606	95,842	134,217	196,076
Post-employment benefits	4,543	4,393	9,086	8,783

**12. Contingent liabilities**

	Kuwaiti Dinars		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
	Letters of guarantees	553,935	442,310
Capital commitments	-	-	631,807

**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.