



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

**Independent Auditor's Review Report  
and  
Interim Condensed Consolidated Financial Information (Unaudited)  
31 March 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 31 March 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months 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 three months period ended 31 March 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 31 March 2020 (Unaudited)**

	Note	Kuwaiti Dinars		
		31 March 2020	31 December 2019 (Audited)	31 March 2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		2,506,679	2,527,188	1,196,692
Goodwill		12,696,231	12,696,231	16,063,231
		<u>15,202,910</u>	<u>15,223,419</u>	<u>17,259,923</u>
<b>Current assets</b>				
Inventories		136,733	117,258	169,857
Trade and other receivables	3	1,625,012	1,610,811	2,414,856
Due from related parties		2,440	41,448	733,726
Cash and cash equivalents	4	606,236	711,106	910,442
		<u>2,370,421</u>	<u>2,480,623</u>	<u>4,228,881</u>
<b>Total assets</b>		<u>17,573,331</u>	<u>17,704,042</u>	<u>21,488,804</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		(18,906,634)	(18,840,633)	(15,402,393)
		<u>10,283,380</u>	<u>10,349,381</u>	<u>13,787,621</u>
<b>Non-current liabilities</b>				
Post-employment benefits		1,051,338	1,071,036	1,236,135
Bank loan	6	1,990,000	2,075,000	-
Lease liabilities		148,896	149,702	-
Due to related parties	7	202,892	-	-
Trade and other payables	8	265,016	-	-
		<u>3,658,142</u>	<u>3,295,738</u>	<u>1,236,135</u>
<b>Current liabilities</b>				
Bank loan	6	425,000	340,000	2,670,000
Lease liabilities		12,172	12,044	-
Due to related parties	7	640,433	808,943	559,931
Trade and other payables	8	2,554,204	2,897,936	3,235,117
		<u>3,631,809</u>	<u>4,058,923</u>	<u>6,465,048</u>
<b>Total liabilities</b>		<u>7,289,951</u>	<u>7,354,661</u>	<u>7,701,183</u>
<b>Total equity and liabilities</b>		<u>17,573,331</u>	<u>17,704,042</u>	<u>21,488,804</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 31 March 2020 (Unaudited)**

	Note	Kuwaiti Dinars	
		Three months ended	
		2020	2019
<b>Revenues</b>			
Revenues		1,375,326	1,924,097
<b>Expenses</b>			
Materials		(229,112)	(342,522)
Cost of advertising		(274,665)	(538,475)
Staff costs		(643,280)	(768,296)
Advertisement and promotion		(87,346)	(103,217)
Lease		(16,898)	(69,502)
Depreciation		(42,061)	(32,814)
Other expenses		(124,594)	(145,145)
<b>Operating loss</b>		(42,630)	(75,874)
Other income		8,473	501
Finance cost		(31,844)	(27,683)
<b>Loss before taxes</b>		(66,001)	(103,056)
Contribution to Zakat		-	-
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		-	-
Contribution to National Labor Support Tax (NLST)		-	-
<b>Loss for the period</b>		(66,001)	(103,056)
Other comprehensive income for the period		-	-
<b>Total comprehensive loss</b>		(66,001)	(103,056)
<b>Loss per share – basic and diluted (fils)</b>	9	(0.285)	(0.445)

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 31 March 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	-	-	-	-	(66,001)	(66,001)
<b>Balance as at 31 March 2020</b>	<u>23,303,860</u>	<u>(75,000)</u>	<u>2,980,577</u>	<u>2,980,577</u>	<u>(18,906,634)</u>	<u>10,283,380</u>
<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 loss for the period	-	-	-	-	(103,056)	(103,056)
<b>Balance as at 31 March 2019</b>	<u>23,303,860</u>	<u>(75,000)</u>	<u>2,980,577</u>	<u>2,980,577</u>	<u>(15,402,393)</u>	<u>13,787,621</u>

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 31 March 2020 (Unaudited)

	Note	Kuwaiti Dinars	
		Three months ended	
		31 March	
		2020	2019
<b>Cash flows from operating activities</b>			
Loss for the period before taxes		(66,001)	(103,056)
Adjustments:			
Depreciation		42,061	32,814
Provision for post-employment benefits		30,626	176,658
Finance cost		31,844	27,683
<i>Operating profit before working capital changes</i>		38,530	134,099
Changes in working capital:			
Inventories		(19,475)	(10,412)
Trade and other receivables		(4,580)	(321,931)
Due from related parties		39,008	(250,139)
Due to related parties		34,382	3,277
Trade and other payables		(108,852)	327,305
<i>Cash generated used in operations</i>		(20,987)	(117,801)
Payment of post-employment benefits		(50,324)	(402,365)
<i>Net cash used in operating activities</i>		(71,311)	(520,166)
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(31,173)	(315,003)
Net movement in bank balance blocked		107,595	9,767
<i>Net cash from/(used in) investing activities</i>		76,422	(305,236)
<b>Cash flows from financing activities</b>			
Proceeds from bank loan		-	70,000
Finance cost paid		(1,708)	(27,410)
Payment of principal element of lease liability		(678)	-
<i>Net cash (used in)/from financing activities</i>		(2,386)	42,590
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,725	(782,812)
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	204,561	443,843

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 authorised 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 31 March 2020, the Group's accumulated losses amounting to KD 18,906,634 (31 December 2019: KD 18,840,633; 31 March 2019: KD 15,402,393) constituted more than 75% of its share capital (31 December 2019: more than 75% of its share capital; 31 March 2019: less than 75% of its share capital) and as of that date, the Group's current liabilities exceeded its current assets by KD 1,261,388 (31 December 2019: KD 1,578,300; 31 March 2019: KD 2,236,167). 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 31 March 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 – 31 March 2020 (Unaudited)

3. Trade and other receivables

	Kuwaiti Dinars		
	31 March 2020	31 December 2019 (Audited)	31 March 2019
Trade receivables	4,138,674	4,089,433	4,446,064
Less: loss allowance	(2,749,293)	(2,734,510)	(2,704,791)
	<u>1,389,381</u>	<u>1,354,923</u>	<u>1,741,273</u>
Other receivables:			
Prepaid expenses	79,244	74,658	163,848
Staff receivables	37,255	26,124	22,248
Advances to suppliers	5,923	16,867	182,725
Others	197,003	236,816	304,762
Less: loss allowance	(83,794)	(98,577)	-
	<u>1,625,012</u>	<u>1,610,811</u>	<u>2,414,856</u>

4. Cash and cash equivalents

	Kuwaiti Dinars		
	31 March 2020	31 December 2019 (Audited)	31 March 2019
Cash and cheques in hand	17,419	9,206	178,700
Cash at banks	588,817	701,900	731,742
Cash and bank balances	606,236	711,106	910,442
Less:			
Blocked bank balance	(401,675)	(509,270)	(466,599)
Cash and cash equivalent in the interim condensed consolidated statement of cash flows	<u>204,561</u>	<u>201,836</u>	<u>443,843</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 31 March 2019: KD 23,303,860 comprising of 233,038,601 shares of 100 fils each) fully paid up in cash.

*Treasury shares*

	31 March 2020	31 December 2019 (Audited)	31 March 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	74,400
Cost (KD)	75,000	75,000	75,000

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.

**Notes to the Interim Condensed Consolidated Financial Information – 31 March 2020 (Unaudited)**

*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.

**6. Bank loan**

During the current period, loan instalment amounting to KD 85,000 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		
	31 March 2020	31 December 2019 (Audited)	31 March 2019
Current	640,433	808,943	559,931
Non-current	202,892	-	-
	<u>843,325</u>	<u>808,943</u>	<u>559,931</u>

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

**8. Trade and other payables**

	Kuwaiti Dinars		
	31 March 2020	31 December 2019 (Audited)	31 March 2019
Trade payables	978,808	863,716	849,735
Advances from customers	680,038	653,071	1,016,333
Accrued expenses	199,591	228,939	337,014
Provision for staff leave	185,779	178,220	228,040
Dividends payable	301,675	309,270	366,599
Taxes and contributions	-	-	17,346
Staff payables	139,933	111,605	94,144
Others	333,396	553,115	325,906
	<u>2,819,220</u>	<u>2,897,936</u>	<u>3,235,117</u>
Current portion	2,554,204	2,897,936	3,235,117
Non-current portion	265,016	-	-
	<u>2,819,220</u>	<u>2,897,936</u>	<u>3,235,117</u>

**9. Loss per share – basic and diluted**

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

	Three months ended 31 March	
	2020	2019
Loss for the period	(66,001)	(103,056)
Weighted average number of shares outstanding during the period	231,538,601	231,538,601
Loss per share – basic and diluted (fils)	<u>(0.285)</u>	<u>(0.445)</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>31 March 2020</b>			
Revenue	1,121,776	253,550	1,375,326
Operating (loss)/profit	(67,600)	24,970	(42,630)
Finance cost	(31,844)	-	(31,844)
Other income	8,473	-	8,473
	<u>(90,971)</u>	<u>24,970</u>	<u>(66,001)</u>
<i>Unallocated items:</i>			
Contribution to Zakat	-	-	-
KFAS	-	-	-
NLST	-	-	-
(Loss) / profit for the period	<u>(90,971)</u>	<u>24,970</u>	<u>(66,001)</u>
Reportable segment assets	17,569,420	3,911	17,573,331
Reportable segment liabilities	7,285,526	4,425	7,289,951
Capital expenditure incurred during the period	31,173	-	31,173
<b>31 March 2019</b>			
Revenue	1,571,777	352,320	1,924,097
Operating (loss)/profit	(101,627)	25,753	(75,874)
Finance cost	(27,683)	-	(27,683)
Other income	501	-	501
	<u>(128,809)</u>	<u>25,753</u>	<u>(103,056)</u>
<i>Unallocated items:</i>			
Contribution to Zakat	-	-	-
KFAS	-	-	-
NLST	-	-	-
(Loss) / profit for the period	<u>(128,809)</u>	<u>25,753</u>	<u>(103,056)</u>
Reportable segment assets	21,485,454	3,350	21,488,804
Reportable segment liabilities	7,696,440	4,743	7,701,183
Capital expenditure incurred during the period	315,003	-	315,003

The Group operates from Kuwait only.

**Notes to the Interim Condensed Consolidated Financial Information – 31 March 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 31 March	
<b>Transactions:</b>	<b>2020</b>	<b>2019</b>
<i>Expenses</i>		
Cost of advertising, other operating expenses and materials	277,391	438,402
Lease contracts	-	45,757
<b>Key management compensation</b>		
Salaries and other short term employee benefits	85,611	100,234
Post-employment benefits	4,543	4,390

**12. Contingent liabilities**

	Kuwaiti Dinars		
	<b>31 March 2020</b>	<b>31 December 2019 (Audited)</b>	<b>31 March 2019</b>
Letters of guarantees	452,226	442,310	772,503
Capital commitments	-	-	1,033,969

**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.