

**AL SORAYAI TRADING AND INDUSTRIAL
GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW REPORT
THREE-MONTH PERIOD ENDED MARCH 31, 2013**

AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW
REPORT

THREE-MONTH PERIOD ENDED MARCH 31, 2013

(Expressed in Saudi Riyals)

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REVIEW REPORT

To the shareholders
Al Sorayai Trading and Industrial Group Company
Jeddah, Saudi Arabia

Scope of Review

We have reviewed the interim consolidated balance sheet of AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY (a Saudi Joint Stock Company) ("the Company") and its subsidiaries ("the Group") as of March 31, 2013 and the related interim consolidated statements of income and cash flows for the three-month period then ended, and notes 1 to 9 which form part of these consolidated interim financial statements as prepared by the Group and presented to us with all necessary information and explanations. These interim financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the auditing standards on review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim consolidated financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. The scope of review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review results

Based on our review, we are not aware of any material modifications that should be made to the interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296
5 Jumadi'II, 1434
April 15, 2013

AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS OF MARCH 31, 2013
(Expressed in Saudi Riyals)

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents		26,978,864	20,778,253
Accounts receivable and other receivables		263,464,028	245,064,467
Due from related parties		2,548,114	7,253,326
Inventories		529,912,997	546,781,146
Total current assets		822,904,003	819,877,192
Non-current assets			
Property and equipment		286,876,092	279,820,022
Deferred charges	2	3,530,605	4,110,446
Total non-current assets		290,406,697	283,930,468
TOTAL ASSETS		1,113,310,700	1,103,807,660
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks		339,390,054	380,745,081
Current portion long-term loans	6	5,300,000	800,000
Accounts payables other liabilities		139,905,663	133,536,238
Due to related parties		40,649,883	52,220,849
Total current liabilities		525,245,600	567,302,168
Non-current liabilities			
End-of-service indemnities		36,901,205	35,959,432
Long-term loan	6	39,351,000	41,367,000
Total non-current liabilities		76,252,205	77,326,432
Shareholders' equity			
Share capital		300,000,000	300,000,000
Statutory reserve	4	31,778,504	26,521,193
General reserve		2,277,097	2,277,097
Retained earnings		177,757,294	130,380,770
Total shareholders' equity		511,812,895	459,179,060
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,113,310,700	1,103,807,660

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AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
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INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2013
(Expressed in Saudi Riyals)

		Period from January 1 to March 31	
	Note	2013	2012
Sales	9	220,899,039	221,737,056
Cost of sales	9	(164,845,879)	(163,137,796)
Gross profit		56,053,160	58,599,260
Selling and distribution expenses		(30,909,024)	(34,657,100)
General and administrative expenses		(13,235,953)	(10,030,860)
Operating income		11,908,183	13,911,300
Finance charges		(1,884,179)	(2,641,815)
Other income		2,025,456	719,249
Net income before zakat		12,049,460	11,988,734
Zakat		(1,500,000)	(1,500,000)
NET INCOME		10,549,460	10,488,734
Earnings per share from net income	7	0.35	0.35
Earning per share from continuing operations	7	0.35	0.40
Loss per share from other operations	7	-	(0.05)

The accompanying notes form an integral part of these financial statements

AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2013
(Expressed in Saudi Riyals)

	Period from January 1 to March 31	
	2013	2012
OPERATING ACTIVITIES		
Net income before zakat	12,049,460	11,988,734
Adjustments for:		
Depreciation	12,384,134	10,601,939
Amortization of deferred charges	201,872	189,554
Gain on sale of property and equipment	(66,989)	(7,500)
End-of-service indemnities	1,196,425	1,112,599
Finance charges	1,884,179	2,641,815
Provision for accounts receivable and other receivables	1,750,000	1,137,172
Provision for inventory slow moving	2,338,195	4,033,000
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(24,385,013)	(9,957,278)
Due from related parties	1,029,817	(1,632,579)
Inventories	(1,259,320)	(13,591,587)
Accounts payable and other liabilities	8,967,234	36,751
Due to related parties	(3,526,674)	1,453,200
Cash from operations	12,563,320	8,005,820
End-of-service indemnities paid	(1,409,149)	(927,581)
Finance charges paid	(1,884,179)	(2,641,815)
Zakat paid	(1,026,194)	-
Net cash from operating activities	8,243,798	4,436,424
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,511,506)	(10,953,966)
Proceeds from sale of property and equipment	105,548	7,500
Net cash used in investing activities	(3,405,958)	(10,946,466)
FINANCING ACTIVITIES		
Long-term loans	2,484,000	42,167,000
Due to banks	5,957,704	(21,231,809)
Deferred charge	-	(4,300,000)
Net cash used in financing activities	8,441,704	16,635,191
Net change in cash and cash equivalents	13,279,544	10,125,149
Cash and cash equivalents, opening	13,699,320	10,653,104
CASH AND CASH EQUIVALENTS	26,978,864	20,778,253

The accompanying notes form an integral part of these financial statements

AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2013
(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

Al Sorayai Trading Industrial Group Company (the "Company") is a Saudi joint stock company which was established in accordance with the Ministry of Commerce resolution No. 523/Q dated 21 Dul-Qaidah, 1428 (December 31, 2007).

During 2010, the Company offered 9 million shares for public subscription representing 30% of the Company's share capital during the period from 17 Safar 1431 (February 1, 2010) to 23 Safar 1431 (February 7, 2010) at SR 27 per share including the par value of SR 10 per share and a premium of SR 17 per share. Thus, the Company converted to a public joint stock company.

The activities of the Company are the retail and wholesale of carpet, rugs, flooring, furniture, blankets and curtain fabrics and accessories. Also, manufacturing of carpets and tufts according to the Ministry of Industry and Electricity resolution No. 1566/S dated 20 Dhul-Hijjah, 1420 and manufacturing of industrial yarn from polypropylene, nylon, processed polypropylene and processed nylon (polyamide) according to the Ministry of Commerce resolution No. 1699/S issued on 27 Dul-Hijja, 1424 and commercial services. Additionally, the Company may invest in other companies. These activities are carried out through the main Commercial Registration No. 4030133919 on 5 Rabi'I, 1422.

In the general assembly meeting held on May 22, 2012, the shareholders resolved to add activities which are to invest in real estate for investment purposes.

During 2012 the board of directors proposed to increase the Company's share capital of SR 300 million to SR 375 million from the retained earnings by issuing one share for every four shares owned by the shareholders. Subsequent to the period end the shareholders approved the increase in share capital in their general assembly meeting which held in April 1, 2013.

The accompanying interim consolidated financial statements include the accounts of the Company's branches the following subsidiaries (collectively referred to as "the group"):

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>% Held directly and indirectly</u>	<u>Principal activities</u>
The Home Styles Company LLC*	Saudi Arabia	100%	Retail carpet, rugs, flooring, furniture, blankets and curtain fabrics and accessories.
Millennium Weavers Group Holdings Company LLC**	USA	100%	Distribute rugs, carpets and other soft flooring products.
Millennium Weavers LLC**	USA	100%	Distribute rugs, carpets and other soft flooring products
Millennium Weavers Europe ***	Belgium	99%	Distribute rugs, carpets and other soft flooring products

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* The Home Styles Company LLC ("the subsidiary"), incorporated in November 2010, is owned 90% by the Company and 10% is owned by The Home Styles LLC, a company incorporated in UAE. These interim consolidated financial statements include 100% results of the subsidiary on the basis of a letter of trust which the Company has with all the shareholders of the subsidiary.

** Millennium Weavers Group Holdings Company LLC and Millennium Weavers LLC incorporated during January 2011.

***Millennium Weavers Europe Company is a subsidiary incorporated during 2012 and started its activities during 2012.

The following main registered branches for the factories and other 52 branches representing the showrooms and distribution centers of the Group.

Branch	CR No.	CR. Date
Jeddah Industrial Yarn Factory	4030115974	3 Rajab, 1416
Al Sorayai Carpet Factory	4030131014	8 Jumad I, 1421
Al Jazeera Spinning and rugs Factory	4030181265	19 Rajab, 1429

The results, assets and liabilities of these branches are included in these interim consolidated financial statements.

The Company's share capital is SR 300,000,000 divided into 30,000,000 shares of SR 10 each.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the interim accounting standard issued by the Saudi Organization for Certified Public Accountants. These interim consolidated financial statements have been prepared according to the accounting standards annually adopted by the Company in preparing the annual consolidated financial statements. The following is a summary of significant accounting policies applied by the Group and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2012.

Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the interim consolidated financial statements in addition to the reported amounts of revenues and expenses during that period. Although these estimates are based on management's best knowledge of current events and activities available with the management actual result ultimately may differ from those estimates.

Basis of preparation

The interim consolidated financial statements have been prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2013

(Expressed in Saudi Riyals)

Interim consolidated financial statements

The interim consolidated financial statements include the accounts of the Company and its subsidiaries (hereafter referred to as "the Group"). All significant inter-company balances and transactions among the Company and its subsidiaries are eliminated in the consolidation.

Sales

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under accounting principles generally accepted in the Kingdom of Saudi Arabia.

Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of finished goods includes cost of materials, labor and an appropriate proportion of direct overheads. Other inventories are valued on a weighted average cost basis. An allowance is made wherever necessary for obsolete, slowing-moving and defective stock.

Net realizable value represents the estimated selling price for the inventories less costs necessary to make the sale.

Investment in subsidiaries

Investments in subsidiaries which are more than 50% owned and in which the Group exercises control are consolidated based on the financial statements of the respective subsidiaries in the interim consolidated financial statements of the Group.

Intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of all investments and financial instruments is reduced to recognize other than temporary diminution in value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

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THREE-MONTH PERIOD ENDED MARCH 31, 2013
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Buildings	5% - 10%
Machinery, equipment and tools	8.3%-12.5%
Improvements and decorations	25%
Furniture, fixtures and office equipment	25% - 33.33%
Motor vehicles	25%

Deferred charges

Deferred charges represent the cost charged by Saudi Industrial Development Fund (SIDF) in relation to the loan facility granted. These costs are amortized over the term of the loan.

Impairment of non-current assets

At each balance sheet date, the Group assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of its value in use and fair value less cost to sell.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Group compares the non-current asset's carrying amount with the non-discounted estimated cash flow from the asset's use. If the carrying amount exceeds the non-discounted cash flow from the asset, the Group estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

An impairment loss is recognized immediately in the interim consolidated statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the interim consolidated statement of income. Impairment loss relating to intangible assets with indefinite lives is not reversed in a subsequent period. A reversal of an impairment loss to intangible assets with identified useful life of recognized immediately in the interim consolidated statement of income.

Financial assets and financial liabilities

Financial assets comprise of cash and cash equivalents, accounts receivables and due from related parties. These financial assets are initially measured as fair value and thereafter at their cost value as reduced by appropriate allowance for estimated irrecoverable amounts. .

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include due to banks, accounts payable and due to related parties and are stated at their fair value.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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Certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually are subsequently assessed for impairment on an individual basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced through the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable as they are not considered recoverable it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the interim consolidated statement of income. Changes in the carrying amount of the allowance account are recognized in the interim consolidated statement of income

Zakat

The Group is subject to the regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The Zakat charge is computed on the Zakat base. Any differences in the estimate is recorded when the final assessment is approved at which time the accrual is cleared.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to interim consolidated statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the interim consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SETTLEMENTS RELATED TO THE PERIOD

All settlements deemed important by the Group have been prepared to fairly show the Group's interim consolidated financial statements in its financial position and the results of operations. The period's results of operations do not give an accurate indication of the actual results for all the year's operations.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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4. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the bye-laws of the Company, the Company establishes a statutory reserve by appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The Company has not accounted for statutory reserve for the three-month period ended March 31 as it accounted for such reserve based on annual consolidated financial statements.

5. DIVIDENDS

During 2012 the board of directors proposed dividends amounting to SR 15,000,000 (2011: SR 30,000,000) which were approved by the shareholders in general assembly meeting held on April 1, 2013.

6. LONG TERM DEBT

During 2012, the Group obtained a long-term loan amount of SR 52 million from Saudi Industrial Development Fund (SIDF). The first installment is due on February 2013 followed by semi-annual installments. This loan is guaranteed by the mortgage over all the property and equipment of Jeddah industrial yarn plant for the purpose of financing the expansion of the Jeddah industrial yarn factory and Rug factories. The loan agreement involves certain covenants including the maintenance of certain financial ratios and maintenance of a minimum level of tangible net worth and a minimum current ratio.

7. BASIC EARNINGS PER SHARE

Earnings per share from net income have been calculated by dividing the net income over the weighted average number of shares outstanding as at the end of the period.

Earnings per share, from continuing operations, have been calculated by dividing the operating income after its share of zakat over the weighted average number of shares outstanding at the end of the period.

Earnings per share from other operations has been calculated by dividing the net income from other operations has its share of zakat over the weighted average number of shares outstanding as of the end of the period.

8. COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, the Group had the following contingent liabilities:

	2013	2012
Letters of bank guarantee	10,301,987	3,029,273
Letters of credit	58,213,627	31,368,487

9. BUSINESS SEGMENTS

Segment information pertains to the Group's activities and operations as basis for preparing its own financial information.

The Group currently operates in manufacturing and selling its products under one operating segment.

The Group's principal place of business is Saudi Arabia.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2013
(Expressed in Saudi Riyals)

Sales and cost of sales:

	2013 (Unaudited)	2012 (Unaudited)
Sales - Local	162,486,837	172,049,024
Sales - Export	58,412,202	49,688,032
	<u>220,899,039</u>	<u>221,737,056</u>
Cost of sales - Local	116,498,993	122,641,174
Cost of sales - Export	48,346,886	40,496,622
	<u>164,845,879</u>	<u>163,137,796</u>

The Group's operations are conducted in Saudi Arabia, United States of America and Europe. Selected financial information as of March 31, 2013 & 2012, summarized by geographic area, is as follows:

	Saudi Arabia	United States of America	Europe	Total
2013 (Unaudited)				
Property, plant and equipment, net	284,675,215	1,104,378	1,096,499	286,876,092
Deferred charges	3,530,605	-	-	3,530,605
Sales	210,252,837	3,736,703	7,169,521	220,899,039
Net income / (loss)	11,636,799	(522,809)	(564,430)	10,549,460
	Saudi Arabia	United States of America	Europe	Total
2012 (Unaudited)				
Property, plant and equipment, net	278,518,659	1,301,363	-	279,820,022
Deferred charges	4,110,446	-	-	4,110,446
Sales	219,382,209	2,354,847	-	221,737,056
Net income / (loss)	10,916,029	(427,295)	-	10,488,734