

**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, 2012

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, 2012

(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) and its subsidiaries ("the Group") as of March 31, 2012 and the related interim consolidated statements of income and cash flows for the three-month period then ended, and notes 1 to 10 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 applicable to 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.

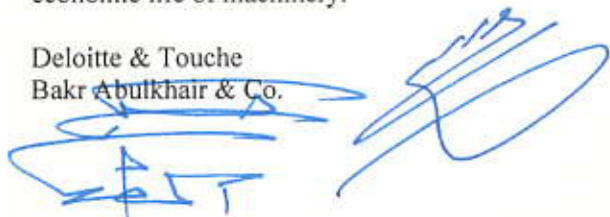
Review results

Based on our limited 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.

Other matters

Without qualifying our opinion the comparative figures have been restated due to change in the useful economic life of machinery.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296
27 Jumadi'I, 1433
April 19, 2012



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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS OF MARCH 31, 2012
(Expressed in Saudi Riyals)

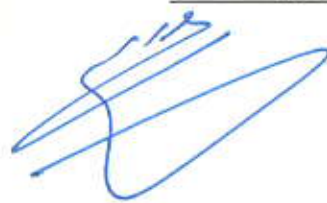
	Note	2012	2011 (Restated note 6)
ASSETS			
Current assets			
Cash and cash equivalents		20,778,253	16,758,743
Accounts receivable and other receivables		245,064,467	267,807,711
Due from related parties		7,253,326	20,849,593
Inventory		546,781,146	482,519,790
Total current assets		819,877,192	787,935,837
Non-current assets			
Property and equipment	6	279,820,022	271,388,953
Deferred charges	2	4,110,446	699,137
Total non-current assets		283,930,468	272,088,090
TOTAL ASSETS		1,103,807,660	1,060,023,927
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks		380,745,081	369,439,573
Current portion long-term loans	7	800,000	-
Accounts payables other liabilities		133,536,238	142,783,377
Due to related parties		52,220,849	89,339,270
Total current liabilities		567,302,168	601,562,220
Non-current liabilities			
End-of-service indemnities		35,959,432	32,694,273
Long-term loan	7	41,367,000	-
Total non-current liabilities		77,326,432	32,694,273
Shareholders' equity			
Share capital		300,000,000	300,000,000
Statutory reserve	4	26,521,193	23,008,863
General reserve		2,277,097	2,277,097
Retained earnings	6	130,380,770	100,481,474
Total shareholders' equity		459,179,060	425,767,434
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,103,807,660	1,060,023,927

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 INCOME (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2012
(Expressed in Saudi Riyals)

		Period from January 1 to March 31	2011 (Restated note 6)
	Note	2012	
Sales	9	221,737,056	188,583,120
Cost of sales	9	(163,137,796)	(137,202,947)
Gross profit		58,599,260	51,380,173
Selling and distribution expenses		(34,657,100)	(27,710,580)
General and administrative expenses		(10,030,860)	(10,850,641)
Operating income		13,911,300	12,818,952
Finance charges		(2,641,815)	(2,190,296)
Other income		719,249	2,571,750
Net income before zakat		11,988,734	13,200,406
Zakat		(1,500,000)	(1,000,000)
NET INCOME		10,488,734	12,200,406
Earnings per share from net income	8	0.35	0.41
Earning per share from continuing operations	8	0.40	0.39
(Loss)/ Earning per share from other operations	8	(0.05)	0.02




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AL SORAYAI TRADING AND INDUSTRIAL GROUP COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2012
(Expressed in Saudi Riyals)

	Period from January 1 to March 31	
	2012	2011 (Restated)
OPERATING ACTIVITIES		
Net Income before Zakat	11,988,734	13,200,406
Adjustments for:		
Depreciation	10,601,939	11,201,472
Amortization of deferred charges	189,554	140,610
Gain on sale of property and equipment	(7,500)	-
End-of-service indemnities	1,112,599	1,816,541
Finance charges	2,641,815	2,190,296
Provision for accounts receivable and other receivables	1,137,172	600,000
Provision for inventory slow moving	4,033,000	1,000,000
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(9,957,278)	(11,135,425)
Due from related parties	(1,632,579)	(3,941,682)
Inventories	(13,591,587)	(21,236,801)
Accounts payable and other liabilities	36,751	(4,915,954)
Due to related parties	1,453,200	12,415,171
Cash from operations	8,005,820	9,217,998
End-of-service indemnities paid	(927,581)	(1,113,605)
Finance charges paid	(2,641,815)	(2,190,296)
Net cash from operating activities	4,436,424	5,914,097
INVESTING ACTIVITIES		
Purchase of property and equipment	(10,953,966)	(8,017,635)
Proceeds from sale of property and equipment	7,500	-
Net cash used in investing activities	(10,946,466)	(8,017,635)
FINANCING ACTIVITIES		
Long-term loans	42,167,000	-
Due to banks	(21,231,809)	2,921,018
Deferred charge	(4,300,000)	-
Net cash used in financing activities	16,635,191	2,921,018
Net change in cash and cash equivalents	10,125,149	817,480
Cash and cash equivalents, opening	10,653,104	15,941,263
CASH AND CASH EQUIVALENTS	20,778,253	16,758,743
Non-cash transaction:		
Dividends payable (note 5)	-	30,000,000

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, 2012
(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 an 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.

The accompanying interim consolidated financial statements include the accounts of the Company's and its local and foreign subsidiaries and branches.

At March 31, the Company has investments in 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

* 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. The subsidiary did not have any activity during 2010 until June 2011.

** Millennium Weavers Group Holdings Company LLC and Millennium Weavers LLC incorporated during January 2011 and did not have activity until September 30, 2011

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The following main registered branches for the factories and other 55 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

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 standards 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 financial statements. The following is a summary of significant accounting policies applied by the Group and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011.

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.

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.



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THREE-MONTH PERIOD ENDED MARCH 31, 2012
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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.

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:

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.

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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.

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.



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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.

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.

Assets held under capital leases are recognized as assets of the Group at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the interim consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the interim consolidated statement of income on a straight line basis over the term of the operating lease.

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.

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

Based on the board of directors' proposal and approval of the shareholders in the general assembly meeting held on March 27, 2011, dividends have been declared amounting to SR 30,000,000.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
THREE-MONTH PERIOD ENDED MARCH 31, 2012
(Expressed in Saudi Riyals)

6. PRIOR YEAR ADJUSTMENTS

During 2011, the Company reviewed the estimated useful life of machineries and decided to change its estimated useful life of machineries from eight years to twelve years. This was based on external technical report and the information available to the Company.

The changes were not reflected in the interim consolidated financial statements of the first three quarters of 2011 and were reflected in the interim consolidated financial statements for the three month period ended December 31, 2011 and consolidated financial statements for the year ended December 31, 2011. Had there been change in the depreciation rate in the first quarter of the year 2011 there would be an increase in net book value of machineries and decrease in cost of sales by SR 3,062,163.

Following balances were restated as a result of the prior period adjustment:

	2011 (As previously reported)	Adjustment	2011 As restated
Interim consolidated balance sheet as of March 31, 2011			
Property and equipment	268,326,790	3,062,163	271,388,953
Interim consolidated statement of income for the three month period ended March 2011			
Cost of sales	140,265,110	(3,062,163)	137,202,947
Interim consolidated cash flows for the three month period ended March 31, 2011			
Operating activities			
Net income before zakat	10,138,243	3,062,163	13,200,406
Depreciation	14,263,635	(3,062,163)	11,201,472

7. LONG TERM DEBT

During the period the Group obtained a long-term loan amount of SR 42.2 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.

8. 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.

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THREE-MONTH PERIOD ENDED MARCH 31, 2012
(Expressed in Saudi Riyals)

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2012	2011
Letters of bank guarantee	3,029,273	15,800,272
Letters of credit	31,368,487	22,238,917
	<u>34,397,760</u>	<u>38,039,189</u>

10. 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.

Sales and cost of sales:

	2012	2011 (Restated note 6)
Sales - Local	172,049,024	140,931,745
Sales - Export	49,688,032	47,651,375
	<u>221,737,056</u>	<u>188,583,120</u>
Cost of sales - Local	122,641,174	97,162,624
Cost of sales - Export	40,496,622	40,040,323
	<u>163,137,796</u>	<u>137,202,947</u>

The Group's operations are conducted in Saudi Arabia and United States of America. Selected financial information as March 31, 2012 & 2011, summarized by geographic area, is as follows:

	Saudi Arabia	United States of America	Total
2012 (Unaudited)			
Property and equipment, net	278,518,659	1,301,363	279,820,022
Other non-current assets	4,110,446	-	4,110,446
Revenue, net	219,382,209	2,354,847	221,737,056
Net income /	10,916,029	427,295	10,488,734

	Saudi Arabia	United States of America	Total
2011 (Unaudited)			
Property and equipment, net (restated note 6)	271,388,953	-	271,388,953
Other non-current assets	699,137	-	699,137
Revenue, net	188,583,120	-	188,583,120
Net income (restated note 6)	12,200,406	-	12,200,406