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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2012

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(Expressed in Saudi Riyals)

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P.O. Box 442
Jeddah 21411
Kingdom of Saudi Arabia

Tel: +966 (0) 2 657 2725
Fax: +966 (0) 2 657 2722
www.deloitte.com

License No. 96
Head Office: Riyadh

AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of AL SORAYAI TRADING INDUSTRIAL GROUP COMPANY, a Saudi Joint Stock Company, ("the Company") and its subsidiaries ("the Group") as of December 31, 2012, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 21 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2012, and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the bye-laws of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296
7 Rabi'II, 1434
February 17, 2013

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012
(Expressed in Saudi Riyals)

	Note	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	3	**13,699,320**	10,653,104
Accounts receivable and other receivables	4	**240,829,015**	236,244,361
Due from related parties	13	**3,577,931**	5,620,747
Inventory	5	**530,991,872**	537,222,559
Total current assets		**789,098,138**	789,740,771
Non-current assets			
Property and equipment	6	**295,787,279**	279,467,995
Deferred charges	7	**3,732,477**	-
Total non-current assets		**299,519,756**	279,467,995
TOTAL ASSETS		**1,088,617,894**	1,069,208,766
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	9	**333,432,350**	401,976,890
Current portion long-term loans	9	**3,200,000**	-
Accounts payable and other liabilities	8	**130,464,623**	131,999,487
Due to related parties	13	**44,176,557**	50,767,649
Total current liabilities		**511,273,530**	584,744,026
Non-current liabilities			
Non-current portion long-term loans	9	**38,967,000**	-
End-of-service indemnities	10	**37,113,929**	35,774,414
Total non-current liabilities		**76,080,929**	35,774,414
Shareholders' equity			
Share capital	1	**300,000,000**	300,000,000
Statutory reserve	11	**31,778,504**	26,521,193
General reserve	11	**2,277,097**	2,277,097
Retained earnings		**167,207,834**	119,892,036
Total shareholders' equity		**501,263,435**	448,690,326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,088,617,894**	1,069,208,766

The accompanying notes form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF INCOME
YEAR EBDED DECEMBER 31, 2012
(Expressed in Saudi Riyals)

	Note	2012	2011
Sales	18	**956,112,360**	870,553,807
Cost of sales	13,18	**(699,773,062)**	(647,712,023)
Gross profit		**256,339,298**	222,841,784
Selling and distribution expenses	14	**(142,421,808)**	(130,382,459)
General and administrative expenses	15	**(51,462,310)**	(44,851,941)
Operating income		**62,455,180**	47,607,384
Finance charges	9	**(10,110,182)**	(10,304,900)
Other income		**6,228,111**	3,783,008
Net income before zakat		**58,573,109**	41,085,492
Zakat	12	**(6,000,000)**	(5,962,194)
NET INCOME		**52,573,109**	35,123,298
Earnings per share from net income	19	**1.75**	1.17
Earning per share from continuing operations	19	**1.87**	1.36
Loss per share from other operations	19	**(0.12)**	(0.19)

The accompanying notes form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2012
(Expressed in Saudi Riyals)

	Note	Share capital	Statutory reserve	General reserve	Retained earnings	Total
January 1, 2011		300,000,000	23,008,863	2,277,097	118,281,068	443,567,028
Net income for 2011		-	-	-	35,123,298	35,123,298
Transfer to statutory reserve	11	-	3,512,330	-	(3,512,330)	-
Dividends	20	-	-	-	(30,000,000)	(30,000,000)
December 31, 2011		**300,000,000**	**26,521,193**	**2,277,097**	**119,892,036**	**448,690,326**
Net income for 2012		-	-	-	**52,573,109**	**52,573,109**
Transfer to statutory reserve	11	-	**5,257,311**	-	**(5,257,311)**	-
December 31, 2012		**300,000,000**	**31,778,504**	2,277,097	**167,207,834**	**501,263,435**

The accompanying notes form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(Expressed in Saudi Riyals)

	2012	2011
OPERATING ACTIVITIES		
Net Income before zakat	**58,573,109**	41,085,492
Adjustments for:		
Depreciation	**43,411,212**	40,895,599
Amortization of deferred charges	**567,523**	839,747
Loss/ (gain) on sale of property and equipment	**1,935**	(323,354)
End-of-service indemnities	**5,497,472**	6,663,551
Finance charges	**10,110,182**	10,304,900
(Utilization)/ Provision for doubtful debts	**(1,083,563)**	627,861
Provision for inventory slow moving	**3,199,277**	6,087,784
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	**(3,501,091)**	20,400,064
Due from related parties	**2,042,816**	24,053,969
Inventories	**3,031,410**	(81,027,354)
Accounts payable and other liabilities	**(2,604,031)**	15,300,156
Due to related parties	**(6,591,092)**	(33,037,016)
Cash from operations	**112,655,159**	51,871,399
End-of-service indemnities paid	**(4,157,957)**	(2,880,474)
Zakat paid	**(4,930,833)**	(5,962,194)
Finance charges paid	**(10,110,182)**	(10,304,900)
Net cash from operating activities	**93,456,187**	32,723,831
INVESTING ACTIVITIES		
Purchase of property and equipment	**(61,551,001)**	(44,949,913)
Proceeds from sale of property and equipment	**1,818,570**	1,479,588
Net cash used in investing activities	**(59,732,431)**	(43,470,325)
FINANCING ACTIVITIES		
Due to banks	**(68,544,540)**	**35,458,335**
Long-term loans	**37,867,000**	-
Dividends	-	**(30,000,000)**
Net cash (used in)/ from financing activities	**(30,677,540)**	**5,458,335**
Net change in cash and cash equivalents	**3,046,216**	**(5,288,159)**
Cash and cash equivalents, January 1	**10,653,104**	**15,941,263**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**13,699,320**	**10,653,104**
<u>**Non cash transaction**</u>		
Deferred charges	**4,300,000**	-
Fixed assets transferred to/from related party (note: 13)		

(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 Rabie'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. The Company has obtained the amended Commercial Registration.

During December 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. This will be proposed to the shareholders for their approval in the general assembly meeting which will be held in 2013.

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

At December 31, the Company has investments in the following subsidiaries (collectively referred to as "the Group"):

Subsidiary	Country of Incorporation	% Held directly and indirectly 2012	% Held directly and indirectly 2011	Principal activities
The Home Styles Company LLC*	Saudi Arabia	100%	100%	Retail carpet, rugs, flooring, furniture, blankets and curtain fabrics and accessories.
Millennium Weavers Group Holdings Company LLC**	USA	100%	100%	Distribute rugs, carpets and other soft flooring products.
Millennium Weavers LLC**	USA	100%	100%	Distribute rugs, carpets and other soft flooring products
Millennium Weavers Europe ***	Belgium	99%	-	Distribute rugs, carpets and other soft flooring products

(Expressed in Saudi Riyals)

* 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 September 2011.

** Millennium Weavers Group Holdings Company LLC and Millennium Weavers LLC incorporated during January 2011 and did not have activity until September 30, 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 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 consolidated financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group.

Basis of preparation

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

Consolidated financial statements

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

Sales

Revenue from sales is recognized upon delivery or shipment of products to customers, and is recorded net of returns, trade discounts and volume rebates.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group'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 standards 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 the Company exercises control are consolidated based on the financial statements of the respective subsidiaries in the 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.

Dividend income from the investments in financial instruments is recognized when dividends are declared.

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%
Machineries, equipment and tools	8.3%-25%
Improvements and decorations	15% - 25%
Furniture, fixtures and office equipment	25% - 33.33%
Motor vehicles	25%

Capital work-in-progress

Capital work-in-progress represents all costs relating directly and indirectly to the projects in progress and is capitalized as property and equipment when the project is completed.

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 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 consolidated statement of income. Impairment loss relating to intangible assets with indefinite lives is not reversed in a subsequent period. In such case, a reversal of an impairment loss previously recognized may not be made in subsequent period.

Financial assets and financial liabilities

Financial assets comprise of cash and cash equivalents, accounts receivables and other 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, loans, accounts payable and other liabilities 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 consolidated statement of income. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income.

Zakat

The Company and its subsidiary in Saudi Arabia are subject to the regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdome 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 subsidiary is subjected to income tax in its respective country of incorporation.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the consolidated 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 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.

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 consolidated income statement 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 consolidated statement of income on a straight line basis over the term of the operating lease.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less and comprise of the following:

	2012	2011
Cash on hand and bank balances	**13,699,320**	10,653,104

(Expressed in Saudi Riyals)

4. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2012	2011
Trade receivables	**201,831,755**	182,858,476
Less: Allowance for doubtful debts	**(11,762,019)**	(12,845,582)
	190,069,736	170,012,894
Advance payments to suppliers	**10,694,105**	19,806,235
Prepaid expenses	**11,416,034**	7,484,104
Other receivables	**28,649,140**	38,941,128
	240,829,015	236,244,361

The movement in allowance for doubtful debts is as follows:

	2012	2011
January 1	**12,845,582**	12,214,721
Provision for the year	**5,964,169**	627,861
Utilized during the year	**(7,047,732)**	-
December 31	**11,762,019**	12,845,582

5. INVENTORIES

	2012	2011
Finished goods and goods available for sale	**363,146,823**	368,022,953
Work in process	**32,222,690**	43,629,793
Raw materials	**132,902,280**	117,559,247
Spare parts	**17,034,413**	17,368,651
Goods in transit	**4,634,264**	6,391,236
	549,940,470	552,971,880
Less: Allowance for slow-moving inventories	**(18,948,598)**	(15,749,321)
	530,991,872	537,222,559

The movement in provision for inventory slow moving is as follows:

	2012	2011
January 1	**15,749,321**	18,430,875
Provision for the year	**16,552,500**	6,087,784
Utilized during the year	**(13,353,223)**	(8,769,338)
December 31	**18,948,598**	15,749,321

(Expressed in Saudi Riyals)

6. PROPERTY AND EQUIPMENT

	January 1	Additions	Disposals	Transfers	December 31
Cost:					
Lands	146,157	-	-	-	146,157
Buildings	158,781,181	5,430,421	(636,426)	4,614,388	168,189,564
Machineries, equipment and tools	396,686,108	26,306,126	(151,337)	17,581,737	440,422,634
Improvements and decoration	41,842,867	1,364,098	(2,893,959)	357,938	40,670,944
Furniture, fixtures and office equipment	58,693,702	4,451,348	(2,030,532)	63,885	61,178,403
Motor vehicles	22,177,399	3,291,250	(2,000,522)	-	23,468,127
Capital work-in-progress	21,023,544	20,707,758	-	(22,617,948)	19,113,354
Total Cost	699,350,958	61,551,001	(7,712,776)	-	753,189,183
Depreciation:					
Buildings	93,611,572	6,997,573	(68,350)	-	100,540,795
Machinery, equipment and tools	237,313,261	23,635,496	(86,021)	-	260,862,736
Improvements and decoration	27,770,984	3,813,060	(2,280,872)	-	29,303,172
Furniture, fixtures and office equipment	42,319,860	7,199,390	(1,464,286)	-	48,054,964
Motor vehicles	18,867,286	1,765,693	(1,992,742)	-	18,640,237
Total Depreciation	419,882,963	43,411,212	(5,892,271)	-	457,401,904
Net Book Value at January 1	279,467,995				
Net Book Value at December 31					295,787,279

Buildings above include premises with net book value as of December 31, 2012 of SR 47,767,785 (2011: SR 53,065,184) which are constructed on land plots leased from the management of the Industrial City in Jeddah at a nominal rent for a period of 25 years started on 12/9/1409 for one plot and 28/11/1411 for another. At the expiry of their term, the leases are renewable for similar period(s) at the option of the Company. Additionally, the Company has entered into lease agreements for additional land plots for the expansion in the carpet and yarn factories for a period of 25 years starting from 6/2/1427.

Buildings above also include premises with net book value as of December 31, 2012 of SR 3,494,436 (2011: SR 233,531) constructed on leased land plots for periods ranging from 1 to 20 years for an annual rent of SR 95,765 (2011: SR 65,000). At the expiry of the term, the leases are renewable for further periods at the option of the Company.

Capital work-in-progress represents mainly amounts paid to acquire machinery and equipment and the Company's showroom and warehouse installations. Also it includes SR 10,703,269 which relates to advance to suppliers (2011: 11,952,112).

(Expressed in Saudi Riyals)

7. DEFERRED CHARGES

	January 1	Additions	December 31
Cost:			
Differed Charges	-	4,300,000	4,300,000
Total cost	-	4,300,000	4,300,000
Amortization:			
Differed Charges	-	567,523	567,523
Total amortization	-	567,523	567,523
Net Book Value at January 1	-		
Net Book Value at December 31			3,732,477

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2012	2011
Trade payables	88,067,960	104,250,139
Accrued expenses and other liabilities	36,327,495	22,749,347
Zakat provision – (note 12)	6,069,168	5,000,001
	130,464,623	131,999,487

9. CREDIT FACILITIES

a) The Group has credit facilities from local banks in the form of letters of guarantee, letters of credit, Islamic-Murabaha for financing of letters of credit, foreign currency contracts and long term Tawarouk and Murabaha facilities. These facilities are secured by promissory notes to the order of the banks. The facility agreements include certain covenants which require amongst other items, the maintenance of certain financial ratios, shareholders' equity and related party balances within certain limits and restrictions on dividends. The outstanding balances related to these facilities as of December 31, are as follows:

	2012	2011
Short-term Murabaha and Tawarouk financing	333,432,350	401,976,890

The cost of the above Murabaha and Tawarouk financing approximates the prevailing commercial rates.

b) During the year, the Company obtained a long-term loan from Saudi Industrial Development Fund ("SIDF") for a limit of SR 53,000,000. This loan which is for the purpose of financing expansion of the plant's buildings and production lines is guaranteed by the mortgage over certain property and equipment of Jeddah industrial yarn plant, Al Sorayai Carpet Factory and Al Jazeera Spinning and Rugs Factory. The loan agreement includes certain covenants including the maintenance of certain financial ratios. The loan is repayable in accelerated semi-annual installments the first of which was due on February 25, 2013 and the last is due on January 2, 2018. The outstanding loan balance as of December 31 is as follows:

(Expressed in Saudi Riyals)

	2012	2011
Balance outstanding	**42,167,000**	-
Less: current portion	**(3,200,000)**	-
Non-current portion	**38,967,000**	-

The non-current portion loan is allocated as follows:

	2012	2011
2014	**5,950,000**	-
2015	**7,350,000**	-
2016	**9,100,000**	-
2017	**10,850,000**	-
2018	**5,717,000**	-
	38,967,000	-

10. END-OF-SERVICE INDEMNITIES

	2012	2011
January 1	**35,774,414**	31,991,337
Provision for the year	**5,497,472**	6,663,551
Payments during the year	**(4,157,957)**	(2,880,474)
December 31	**37,113,929**	35,774,414

11. RESERVES

Statutory reserve:

In accordance with Regulations for Companies in Saudi Arabia and the By-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.

General reserve:

An amount of SR 2,277,097 in prior years was appropriated as general reserve to enhance the Group's financial position.

12. ZAKAT

The principal elements of the zakat base are as follows:

	2012	2011
Non-current assets	**299,519,756**	279,467,995
Non-current liabilities	**76,080,929**	35,774,414
Opening shareholders' equity	**448,690,326**	443,567,028
Net income before zakat	**58,573,109**	41,085,492

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

(Expressed in Saudi Riyals)

The movement in zakat provision is as follows:

	2012	2011
January 1	**5,000,001**	5,001,000
Payments during the year	**(4,930,833)**	(5,962,194)
Provision for the year	**6,069,168**	5,000,001
(Excess)/ Under provision for prior year	**(69,168)**	961,194
December 31	**6,069,168**	5,000,001

The Company finalized its zakat position up to 2006 and obtained final zakat certificate, and submitted its zakat declaration for the year 2007 up to 2011 which are currently under review by DZIT.

13. RELATED PARTY TRANSACTIONS

The Company has transacted during the year with the following related parties:

Name	Relationship
Al Sorayai Furniture Company (Sharjah)	Affiliate
Green Vision for Artificial Grass Company Limited	Affiliate
Al Sorayai for International Trading Company Limited (China)	Affiliate
Al Sorayai Compound (Camp)	Affiliate
Abdullah & Nasser Al Sorayai Co. (USA)	Affiliate
Modern Industry for Textile Auxiliaries Company	Affiliate
Saudi Company for Manufacturing Carpet Materials	Affiliate
Al-Sorayai Industrial Investment Group	Affiliate
Property management of Abdulla Al Sorayai and wife and heirs of late Nasser Al Sorayai	Affiliate
Shareholders	Shareholders

The significant transactions and the related amounts are as follows:

	2012	2011
Purchases	**108,188,855**	113,933,664
Directors' remuneration	**3,300,000**	3,070,000
Rent expenses	**9,742,350**	9,694,082
Purchase of building from a related party	-	6,880,566
Transfer of building to a related party	-	(4,883,441)

Due from related parties as of December 31 is comprised of the following:

	2012	2011
Al Sorayai Furniture Company (Sharjah)	**3,084,365**	3,851,583
Green Vision for Artificial Grass Company Limited	**113,230**	678,692
Al Sorayai for International Trading Company Limited (China)	**368,581**	639,783
Others	**11,755**	450,689
	3,577,931	5,620,747

Due to related parties as of December 31 is comprised of the following:

(Expressed in Saudi Riyals)

Due to related parties as of December 31 is comprised of the following:

	2012	2011
Saudi Company for Manufacturing Carpet Materials	**18,280,522**	28,228,914
Al-Sorayai Industrial Investment Group	**18,200,342**	13,969,754
Property management of Abdulla Al Sorayai and wife and heirs of late Nasser Al Sorayai	**7,695,693**	8,568,981
	44,176,557	50,767,649

14. SELLING AND DISTRIBUTION EXPENSES

	2012	2011
Salaries and related benefits	**49,127,479**	49,242,715
Rents	**24,248,333**	21,600,999
Loading, transportation and fuel	**13,444,576**	10,771,096
Promotion, exhibitions and samples	**18,523,128**	9,977,732
Sales commission	**5,669,347**	3,999,113
Travelling expenses	**4,335,717**	3,950,036
Depreciation	**11,092,471**	10,625,519
Utilities	**4,246,967**	3,884,865
Repair and maintenance	**2,688,270**	4,002,586
Government fees	**1,430,414**	2,450,227
Installation expenses	**399,049**	1,294,379
Others	**7,216,057**	8,583,192
	142,421,808	130,382,459

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Salaries and related benefits	**28,847,089**	30,633,840
Depreciation and amortization	**3,325,474**	4,379,021
Allowance for doubtful debts expenses	**5,964,169**	627,861
Professional fees	**1,766,163**	1,757,914
Traveling and transportation expenses	**1,203,285**	1,806,329
Repair and maintenance	**1,247,909**	520,968
Utilities and communications	**1,623,821**	530,318
Management fees	**753,850**	758,500
Rents	**938,673**	353,810
Governmental expenses	**989,327**	339,496
Stationary and printing	**347,232**	182,089
Others	**4,455,318**	2,961,795
	51,462,310	44,851,941

(Expressed in Saudi Riyals)

16. OPERATING LEASE ARRANGEMENTS

	2012	2011
Payments under operating leases recognized as an expense during the year	**22,980,965**	25,170,603

Operating lease payments represent rentals payable by the Company for the plants' land, showrooms, workers' accommodation and warehouses. Except for lands and certain showrooms, other leases expire within one year.

17. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, the Company had the following contingent liabilities:

	2012	2011
Letters of bank guarantee	**13,634,835**	9,464,050
Letters of credit	**32,649,156**	52,969,315

18. 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
Sales - Local	**712,824,320**	683,157,029
Sales - Export	**243,288,040**	187,396,778
	956,112,360	870,553,807
Cost of sales - Local	**496,869,931**	497,096,959
Cost of sales - Export	**202,903,131**	150,615,064
	699,773,062	647,712,023

(Expressed in Saudi Riyals)

The Group's operations are conducted in Saudi Arabia, United States of America and Europe. Selected financial information as of December 31, 2012 & 2011 and for the year ended on those dates, summarized by geographic area, is as follows:

2012	Saudi Arabia	United States of America	Europe	Total
Property, plant and equipment, net	293,774,501	1,014,949	997,829	295,787,279
Deferred charges	3,732,477	-	-	3,732,477
Sales	929,565,498	7,711,706	18,835,156	956,112,360
Net income / (loss)	56,994,818	(2,957,498)	(1,464,211)	52,573,109

2011	Saudi Arabia	United States of America	Europe	Total
Property, plant and equipment, net	278,500,735	967,260	-	279,467,995
Sales	865,919,142	5,634,665	-	870,553,807
Net income / (loss)	38,832,494	(3,709,196)	-	35,123,298

19. BASIC EARNING 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 year.

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 year.

Loss per share from other operations has been calculated by dividing the net loss from other operations after its share of zakat over the weighted average number of shares outstanding as at the end of the year.

20. DIVIDENDS

During December 2012 the board of directors proposed dividends amounting to SR 15,000,000 to be declared and approved by the shareholders in the general assembly meeting to be held in 2013 (2011: SR 30,000,000).

21. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.