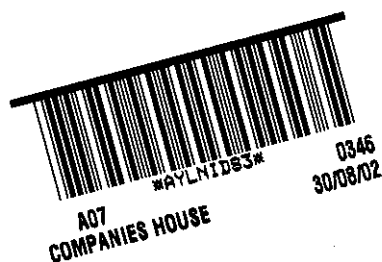


Company Registration No. 371303 (England and Wales)

**SELECTED RUG & MATTING LIMITED**  
**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**



**Jeffreys Henry**

**Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE**

# SELECTED RUG & MATTING LIMITED

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# SELECTED RUG & MATTING LIMITED

## DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The director presents his report and financial statements for the year ended 31 December 2001.

### Principal activities and review of the business

The principal activity of the company continued to be that of merchants and distributors of carpets and rugs. The results reflect a considerable downturn in turnover due to immense competition in the wholesale carpet trade.

The current year is also proving difficult and the director is cautious as to the year's outcome.

### Results and dividends

The results for the year are set out on page 3.

### Director

The following director has held office since 1 January 2001:

S Eisenberg

### Director's interests

The director's interest in the shares of the company was as stated below:

	Ordinary of £ 1 each	
	31 December 2001	1 January 2001
S Eisenberg	9,500	9,500

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Jeffreys Henry be reappointed as auditors of the company will be put to the Annual General Meeting.

### Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

S Eisenberg

Director

28/8/02

# SELECTED RUG & MATTING LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SELECTED RUG & MATTING LIMITED

We have audited the financial statements of Selected Rug & Matting Limited on pages 3 to 10 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective responsibilities of the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

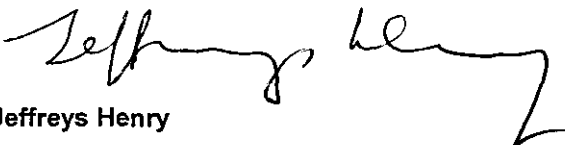
### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Jeffreys Henry

Chartered Accountants  
Registered Auditor

20/8/02

Finsgate, 5-7 Cranwood Street  
London  
EC1V 9EE

# SELECTED RUG & MATTING LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	1,526,462	2,499,480
Cost of sales		(875,789)	(1,724,811)
Gross profit		650,673	774,669
Administrative expenses		(698,131)	(665,917)
Operating (loss)/profit	3	(47,458)	108,752
Other interest receivable and similar income		58,676	48,820
Interest payable and similar charges	4	(11,951)	(18,755)
(Loss)/profit on ordinary activities before taxation		(733)	138,817
Tax on (loss)/profit on ordinary activities	5	(982)	(29,068)
(Loss)/profit on ordinary activities after taxation	12	(1,715)	109,749

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# SELECTED RUG & MATTING LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	£	2000 £	£
<b>Fixed assets</b>					
Tangible assets	6		99,212		97,234
<b>Current assets</b>					
Stocks	7	139,221		203,401	
Debtors	8	291,991		801,826	
Cash at bank and in hand		771,373		716,791	
		<u>1,202,585</u>		<u>1,722,018</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(516,073)</u>		<u>(1,031,815)</u>	
<b>Net current assets</b>			<u>686,512</u>		<u>690,203</u>
<b>Total assets less current liabilities</b>			<u><u>785,724</u></u>		<u><u>787,437</u></u>
<b>Capital and reserves</b>					
Called up share capital	11		10,000		10,000
Profit and loss account	12		775,724		777,437
<b>Shareholders' funds - equity interests</b>	13		<u><u>785,724</u></u>		<u><u>787,437</u></u>

The financial statements were approved by the Board on 28/8/02

S Eisenberg  
Director

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	20% Reducing balance method
Fixtures, fittings & equipment	25% Reducing balance method
Motor vehicles	25% Reducing balance method

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.5 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

#### 1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Operating (loss)/profit

	2001	2000
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	32,777	32,044
Loss on disposal of tangible assets	2,450	-
Loss on foreign exchange transactions	9,503	-
Operating lease rentals	1,721	1,583
Auditors' remuneration	8,000	9,120
and after crediting:		
Profit on foreign exchange transactions	-	(98,043)

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

<b>4</b>	<b>Interest payable</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	10,656	18,755
	On overdue tax	1,295	-
		<u>11,951</u>	<u>18,755</u>
<b>5</b>	<b>Taxation</b>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax	982	29,068
	<b>Current tax charge</b>	<u>982</u>	<u>29,068</u>
	<b>Factors affecting the tax charge for the year</b>		
	(Loss)/profit on ordinary activities before taxation	<u>(733)</u>	<u>138,817</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 10.00% (2000 : 20.00%)	<u>(73)</u>	<u>27,763</u>
	Effects of:		
	Non deductible expenses	656	980
	Depreciation	3,277	6,409
	Capital allowances	(3,123)	(6,084)
	Chargeable disposals	245	-
		<u>1,055</u>	<u>1,305</u>
	<b>Current tax charge</b>	<u>982</u>	<u>29,068</u>

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 6 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2001	71,950	95,530	92,326	259,806
Additions	-	28,705	10,500	39,205
Disposals	-	-	(7,913)	(7,913)
At 31 December 2001	71,950	124,235	94,913	291,098
<b>Depreciation</b>				
At 1 January 2001	67,564	49,201	45,807	162,572
On disposals	-	-	(3,463)	(3,463)
Charge for the year	877	18,758	13,142	32,777
At 31 December 2001	68,441	67,959	55,486	191,886
<b>Net book value</b>				
At 31 December 2001	3,509	56,276	39,427	99,212
At 31 December 2000	4,386	46,329	46,519	97,234

### 7 Stocks

	2001 £	2000 £
Finished goods and goods for resale	139,221	203,401

### 8 Debtors

	2001 £	2000 £
Trade debtors	205,418	685,516
Other debtors	77,575	108,755
Prepayments and accrued income	8,998	7,555
	291,991	801,826

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

9 Creditors: amounts falling due within one year	2001 £	2000 £
Bank loans and overdrafts	26,727	8,689
Trade creditors	201,145	616,512
Corporation tax	982	29,068
Other taxes and social security costs	25,211	145,439
Director's current accounts	24,750	-
Other creditors	3,500	7,015
Accruals and deferred income	233,758	225,092
	<u>516,073</u>	<u>1,031,815</u>

### 10 Pension costs

#### Defined contribution

	2001 £	2000 £
Contributions payable by the company for the year	<u>3,141</u>	<u>3,141</u>

### 11 Share capital

	2001 £	2000 £
<b>Authorised</b>		
10,000 Ordinary of £ 1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary of £ 1 each	<u>10,000</u>	<u>10,000</u>

### 12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2001	777,439
Retained loss for the year	(1,715)
Balance at 31 December 2001	<u>775,724</u>

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

13 Reconciliation of movements in shareholders' funds	2001 £	2000 £
(Loss)/Profit for the financial year	(1,715)	109,749
Opening shareholders' funds	787,437	677,688
Closing shareholders' funds	<u>785,724</u>	<u>787,437</u>

### 14 Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2001 £	2000 £
Expiry date:		
Within one year	60,000	60,000
Between two and five years	-	60,000
	<u>60,000</u>	<u>120,000</u>

15 Director's emoluments	2001 £	2000 £
Emoluments for qualifying services	181,996	171,996
Company pension contributions to money purchase schemes	3,141	3,141
	<u>185,137</u>	<u>175,137</u>

# SELECTED RUG & MATTING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

### 16 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2001 Number	2000 Number
Management, office and selling	4	4
Warehouse	3	3
	<u>7</u>	<u>7</u>

#### Employment costs

	£	£
Wages and salaries	303,098	322,283
Social security costs	33,693	36,982
Other pension costs	3,141	3,141
	<u>339,932</u>	<u>362,406</u>

### 17 Related party transactions

Azuremere Limited a company incorporated in England is controlled by the director of the company.

Transactions during the year are as follows:

Balance owed to the company at 1.1.2001 - £102,614

Additional loan to Azuremere limited - £35,000

Rent payable - £60,000 (£150,000)

Balance owed to the company at 31.12.2001 - £77,614.