Company Registration No. 3917421 (England and Wales)

INTERDESIGN (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2003

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INTERDESIGN (UK) LIMITED

COMPANY INFORMATION

Directors	G Y Khachfe	
	A C O'Neill	(Appointed 20 February 2002)
Secretary	M Khachfe	
Company number	3917421	
Registered office	Union House Walton Lodge Bridge Street Walton on Thames KT12 1BT	
Auditors	Lawfords Limited Union House Walton Lodge Bridge Street Walton on Thames KT12 1BT	

INTERDESIGN (UK) LIMITED

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INTERDESIGN (UK) LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2003

The directors present their report and financial statements for the year ended 31 January 2003.

Principal activities

The principal activities of the company in the year under review were those of furniture importer and interior designer.

Directors

The following directors have held office since 1 February 2002:

G Y Khachfe
A C O'Neill (Appointed 20 February 2002)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 January 2003	1 February 2002
G Y Khachfe	-	-
A C O'Neill	-	-

Charitable donations	2003	2002
	£	£
During the year the company made the following payments:		
Charitable donations	796	1,335

Auditors

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

INTERDESIGN (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2003

Directors' responsibilities

Company law requires the directors 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 directors are 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

.....

G Y Khachfe

Director

19/08/03

INTERDESIGN (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERDESIGN (UK) LIMITED

We have audited the financial statements of Interdesign (UK) Limited on pages 4 to 12 for the year ended 31 January 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are 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 directors' 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 directors' remuneration and transactions with the company is not disclosed.

We read the directors' 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 directors 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 January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lawfords Limited

Lawfords Limited

Registered Auditor

17/09/03

Date

Union House
Walton Lodge
Bridge Street
Walton on Thames
KT12 1BT

INTERDESIGN (UK) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2003

	Notes	2003 £	2002 £
Turnover		1,041,558	2,038,689
Cost of sales		(487,868)	(1,314,195)
Gross profit		553,690	724,494
Distribution costs		(46,048)	(53,014)
Administrative expenses		(380,966)	(578,297)
Operating profit	2	126,676	93,183
Loss on sale of tangible assets	2	(1,071)	(1,188)
Profit on ordinary activities before interest		125,605	91,995
Other interest receivable and similar income		5,536	3,021
Profit on ordinary activities before taxation		131,141	95,016
Tax on profit on ordinary activities	3	(30,488)	(43,074)
Profit on ordinary activities after taxation		100,653	51,942
Dividends		(380,000)	-
Retained (loss)/profit for the year	11	(279,347)	51,942

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.

INTERDESIGN (UK) LIMITED

BALANCE SHEET
AS AT 31 JANUARY 2003

	Notes	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	**4**		5,535		7,919
Investments	**5**		100		100
			5,635		8,019
Current assets					
Stocks		91,400		80,331	
Debtors	**6**	41,574		252,787	
Cash at bank and in hand		508,981		645,590	
		641,955		978,708	
Creditors: amounts falling due within one year	**7**	(545,260)		(705,050)	
Net current assets			96,695		273,658
Total assets less current liabilities			102,330		281,677
Creditors: amounts falling due after more than one year	**8**		(100,000)		-
			2,330		281,677
Capital and reserves					
Called up share capital	**10**		100		100
Profit and loss account	**11**		2,230		281,577
Shareholders' funds - equity interests	**12**		2,330		281,677

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 19/08/03

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G K Khachfe
Director

INTERDESIGN (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2003

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1 Accounting policies

1 .1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

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:

Fixtures, fittings & equipment	20% straight line

1 .4 Leasing

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

1 .5 *Investments*

Fixed asset investments are stated at cost less provision for diminution in value.

1 .6 Stock

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

1 .7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1 .8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1 .9 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.

1 .10 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2	**Operating profit**	**2003**	**2002**
		£	**£**
	Operating profit is stated after charging:		
	Depreciation of tangible assets	2,493	3,295
	Loss on disposal of intangible assets	1,071	1,188
	Loss on foreign exchange transactions	1,371	7,182
	Auditors' remuneration	3,500	3,500
	Directors' emoluments	114,046	121,887

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 0 (2002 - 1).

3	**Taxation**	**2003**	**2002**
		£	**£**
	Domestic current year tax		
	U.K. corporation tax	30,488	32,969
	Adjustment for prior years	-	10,105
	Current tax charge	30,488	43,074
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	131,141	95,016
	Profit on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 22.65 % (2002 : 26.00 %)	29,703	24,704
	Effects of:		
	Non Deductable expenses	893	8,089
	Depreciation add back	565	857
	Capital allowances	(673)	(681)
	Adjustments to previous periods	-	10,105
		785	18,370
	Current tax charge	30,488	43,074

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 February 2002	9,673
Additions	1,177
Disposals	(2,246)
At 31 January 2003	8,604
Depreciation	
At 1 February 2002	1,754
On disposals	(1,178)
Charge for the year	2,493
At 31 January 2003	3,069
Net book value	
At 31 January 2003	5,535
At 31 January 2002	7,919

5 Fixed asset investments

	Shares in group undertakings and participating interests
	£
Cost	
At 1 February 2002 & at 31 January 2003	100

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Interdesign (1992) Limited	*England and Wales*	*Ordinary*	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2003	Profit for the year 2003
	£	£
Interdesign (1992) Limited	*(22,600)*	-

6 Debtors

	2003	2002
	£	£
Trade debtors	38,364	65,383
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	124,000
Other debtors	3,210	63,404
	41,574	252,787

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2003

7	Creditors: amounts falling due within one year	2003 £	2002 £
	Trade creditors	55,975	177,163
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	188,726	139,561
	Taxation and social security	39,918	59,658
	Payments received on account	34,608	95,145
	Other creditors	226,033	233,523
		545,260	705,050

8	Creditors: amounts falling due after more than one year	2003 £	2002 £
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	100,000	-
	Analysis of loans		
	Not wholly repayable within five years other than by instalments	100,000	-
	Loan maturity analysis		
	In more than five years	100,000	-

The above loan is interest free, unsecured and has no fixed date for repayment.

9 Pension costs

Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	-	26,146

10	*Share capital*	*2003* £	*2002* £
	Authorised		
	100,000 Ordinary shares of £ 1 each	100,000	100,000
	Allotted, called up and fully paid		
	100 Ordinary shares of £ 1 each	100	100

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 February 2002	281,577
Retained loss for the year	(279,347)
Balance at 31 January 2003	2,230

12 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	100,653	51,942
Dividends	(380,000)	-
Net (depletion in)/addition to shareholders' funds	(279,347)	51,942
Opening shareholders' funds	281,677	229,735
Closing shareholders' funds	2,330	281,677

13 Transactions with directors

During the year the directors current account was overdrawn by a maximum of £100,000.

	Amount outstanding 2003 £	Amount outstanding 2002 £	Maximum in year £
G Y Khackfe current account	-	-	100,000

14 Control

The ultimate controlling party is the Soussa Settlement which is a foreign discretionary trust and the ultimate parent company is G K Designs International Limited, a company incorporated in Nevis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2003

15 Related party transactions

During the year the company was charged rent and related expenses by a fellow subsidiary, Sage Management & Marketing Limited, totalling £78,000 (2002: £71,500) and marketing fees of £Nil (2002: £203,869). At the balance sheet date a total of £32,726 (2002: £139,561) was due to this company. In addition accruals contains £218,877 (2002: £218,877) of marketing fees due to this company.

During the year sales of £18,112 (2002: 1,493) and purchases of £5,180 (2002: £Nil) were made to and from Poliform (UK) Limited, a company in which the group has a significant shareholding.

During the years sales of £4,734 (2002: £1,225) were made to G Y Khachfe a director of the company. At the balance sheet date G Y Khachfe was owed £2,300 (2002: £2,300) (see note13).

At the balance sheet date an amount of £256,000 (2002: £(124,000)) was due to the company's ultimate parent company (see note 14).

The directors consider that all related party transactions took place on an arms length basis.

16 Post balance sheet events

After the year end the company acquired all the share capital of Sage management and Marketing Limited from G K Designs International Limited (see note 14).