

2707097 (England and Wales)

TOWER OVERSEAS LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 1997

**Heywards
Chartered Accountants
St. George's House
15 Hanover Square
London W1R 0HE**



TOWER OVERSEAS LIMITED

Company Information

Directors	J. Hirschbaeck M.W. Denton
Secretary	Fiduserve Limited
Company Number	2707097 (England and Wales)
Registered Office	7 Storey's Gate Westminster London SW1P 3AT
Auditors	Heywards St. George's House 15 Hanover Square London W1R 0HE

TOWER OVERSEAS LIMITED

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TOWER OVERSEAS LIMITED

Directors' Report

for the year ended 31 December 1997

The Directors present their report and the audited financial statements for the year ended 31 December 1997.

Trading Results

	1997	1996
	£	£
Loss for the year after tax (company)	<u>£12,602</u>	<u>£84,887</u>

Principal Activities

The principal activity of the company is that of an investment company.

The principal activity of the company's subsidiaries is the production of ceramics.

Directors and their Interests

The directors who served during the year and their interests in the company were as follows:

	Class of Share Ordinary shares of £1 each Number of shares	
	1997	1996
M. W. Denton	-	-
J. Hirschbaeck	-	-

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 these 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Heywards be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 28 January 1999


J HIRSCHBAECK

Director

TOWER OVERSEAS LIMITED

**Auditors' Report
to the shareholders of Tower Overseas Limited**

We have audited the financial statements on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Heywards

Chartered Accountants
Registered Auditor

28 January 1999

St. George's House
15 Hanover Square
London W1R 0HE

TOWER OVERSEAS LIMITED

Profit and Loss Account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover		-	-
Administrative Expenses		<u>(11,719)</u>	<u>(9,510)</u>
Operating Loss	2	(11,719)	(9,510)
Interest receivable and similar income	4	938	1,620
Interest payable and similar charges	5	(1,821)	(91,659)
Exceptional Item		<u>-</u>	<u>14,662</u>
Loss on ordinary activities before taxation		(12,602)	(84,887)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Loss for the year	11	£ <u>(12,602)</u>	£ <u>(84,887)</u>

TOTAL RECOGNISED GAINS AND LOSSES

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

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOWER OVERSEAS LIMITED


Balance Sheet

As at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Investments	7	<u>1,578,477</u>	<u>1,272,185</u>
CURRENT ASSETS			
Loan Debtor Fellow Subsidiary -- Ideal Standard Overseas Ltd		3,622	3,622
Cash at Bank and in hand		<u>30,292</u>	<u>27,961</u>
		33,914	31,583
CREDITORS: Amounts falling due within one year	8	<u>(2,880)</u>	<u>(7,115)</u>
NET CURRENT ASSETS		<u>31,034</u>	<u>24,468</u>
CREDITORS: Amounts falling due after more than one year	9	<u>(1,747,333)</u>	<u>(1,421,873)</u>
TOTAL NET LIABILITIES		<u>£(137,822)</u>	<u>£(125,220)</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,000	10,000
Profit and Loss Account	11	<u>(147,822)</u>	<u>(135,220)</u>
Shareholders Funds	12	<u>£(137,822)</u>	<u>£(125,220)</u>

The financial statements were approved by the Board on 28 January 1999

The notes on pages 5 to 8 form part of these financial statements.


J. HIRSCHBAECK
Director

TOWER OVERSEAS LIMITED

Notes to the Financial Statements

For the year ended 31 December 1997

1 ACCOUNTING POLICIES

a Accounting Convention

The financial statements are prepared in accordance with the historical cost convention and include the results of the company's operations as indicated in the director's report, all of which are continuing.

b Cashflow

The company is a wholly owned subsidiary of Eight Stars Establishment which prepares a consolidated cash flow statement for the year which includes the cash flows of the company. As a result neither the members nor the directors consider it appropriate for the company to prepare a separate cash flow statement as is required by Financial reporting Standard No. 1.

c Foreign Currencies

The company's accounts are maintained in Pounds Sterling.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Any material gains or losses resulting from the conversion are taken to the profit and loss account.

d Deferred Tax

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made at the rate which is expected to be applied when the tax liability or asset is expected to crystallise.

e Going Concern

The financial statements have been prepared on a going concern basis. This is considered appropriate as the shareholders will continue to provide financial support to the company for the foreseeable future.

f Group Accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as the activities of the company and its subsidiaries are so different that inclusion would be incompatible with a true and fair view.

TOWER OVERSEAS LIMITED

Notes to the Financial Statements

For the year ended 31 December 1997

2 OPERATING LOSS

	1997	1996
	£	£
This is stated after charging:		
Auditors' remuneration	1,880	764
Directors remuneration	<u>881</u>	<u>881</u>

3 DIRECTORS AND EMPLOYEES

Directors Fees	<u>881</u>	<u>881</u>
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The directors were the company's only employees during the year.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	1997	1996
	£	£
Bank Interest received	£ <u>938</u>	<u>£1,620</u>

5 INTEREST PAYABLE AND SIMILAR INCOME

	1997	1996
	£	£
Bank Charges	563	441
Loss on foreign exchange	1,258	1,970
Interest payable for deferment of consideration on purchase of investment	-	<u>89,248</u>
	<u>£1,821</u>	<u>£91,659</u>

6 TAXATION

In view of the losses incurred by the company, no provision has been made for taxation.

TOWER OVERSEAS LIMITED

Notes to the Financial Statements

For the year ended 31 December 1997

7 INVESTMENTS

Shares in group undertakings and participating interests

Cost

	£
At 1 January 1997	1,272,185
Additions	<u>306,292</u>
At 31 December 1997	<u>£1,578,477</u>

Net Book Values

At 31 December 1996	<u>£1,272,185</u>
At 31 December 1997	<u>£1,578,477</u>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares Held	
		Class	%
Gardenia Finanziaria SPA	Italy	Ordinary	58.99
Garcolor SPA	Italy	Ordinary	57.17
		(Indirect)	
Ceramiche Gardenia Orchidea SPA	Italy	Ordinary	58.67
		(Indirect)	
Gamma SRL	Italy	Ordinary	58.99
		(Indirect)	

Gardenia Finanziaria SPA is the parent company of Garcolor SPA, Ceramiche Gardenia Orchidea SPA and Gamma SRL. Details of the capital and reserves and results of the individual companies cannot be obtained without disproportionate expense and undue delay. The results of the group of the four undertakings for the year to 31 December 1997 was as follows:

Capital and reserves	£26,888,649
Profit for the year	£ 673,618

8 CREDITORS: Amounts falling due within one year

	1997	1996
	£	£
Other creditors and accruals	<u>£2,880</u>	<u>£7,115</u>

TOWER OVERSEAS LIMITED

Notes to the Financial Statements

For the year ended 31 December 1997

9 CREDITORS: Amounts falling due after more than one year

	1997 £	1996 £
Shareholders loan	<u>£1,747,333</u>	<u>£1,421,873</u>

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

10 SHARE CAPITAL

	1997 £	1996 £
Authorised 200,000 Ordinary shares of £1 each	<u>£200,000</u>	<u>£200,000</u>
Allotted, called up and fully paid 10,000 Ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>

11 PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
Accumulated losses at 1 January 1997	(135,220)	(50,333)
Loss for the year	<u>(12,602)</u>	<u>(84,887)</u>
Accumulated losses at 31 December 1997	<u>£(147,822)</u>	<u>£(135,220)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1997 £	1996 £
Loss for the financial year	(12,602)	(84,887)
Opening shareholders funds	<u>(125,220)</u>	<u>(40,333)</u>
Closing shareholders funds	<u>£(137,822)</u>	<u>£(125,220)</u>

13 ULTIMATE HOLDING COMPANY

The Directors regard the ultimate holding company as Eight Stars Establishment, a company registered in Liechtenstein.