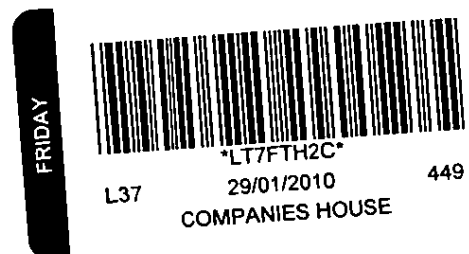


**TOWER OVERSEAS LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**

**LIPSON & CO. LIMITED**

Chartered Certified Accountants & Registered Auditors  
81A Station Road  
London  
E4 7BU



**TOWER OVERSEAS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

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**TOWER OVERSEAS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2008**

<b>The directors</b>	John Troostwyk Christof Ebersberg Christopher Allen
<b>Company secretary</b>	Finchley Secretaries Ltd
<b>Company number</b>	02707097
<b>Registered office</b>	788-790 Finchley Road London NW11 7TJ
<b>Auditors</b>	Lipson & Co Limited Chartered Certified Accountants & Registered Auditors 81A Station Road London E4 7BU

# **TOWER OVERSEAS LIMITED**

## **THE DIRECTOR'S REPORT**

### **YEAR ENDED 31 DECEMBER 2008**

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2008.

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The principal activity of the group is the manufacturing and marketing of ceramic floor and wall tiles.

The dramatic economic and market environment during 2008 has effected the ceramic sector and the results of the group. This has resulted in a 48% decline in the retained profits of the group.

The group incurred over €3 million of research and development expenditure during the year in relation to new products, production lines and processes, the benefits of which are expected to arise in the coming years.

#### **RESULTS AND DIVIDENDS**

The group profit after taxation and minority interests for the financial year amounted to €766,878 (2007: €1,473,538).

The directors have not recommended the payment of a dividend.

#### **DIRECTORS**

The directors who served the company during the year were as follows:

Christof Ebersberg  
 Damian Calderbank - Resigned on 26.06.2008  
 John Troostwyk  
 Christopher Allen - Appointed on 26.06.2008

#### **HOLDING COMPANY**

The company's holding company is Eight Stars Establishment, a company registered in Liechtenstein. The director's interests in the shares of Eight Stars Establishment, are disclosed in the accounts of that company.

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

*Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

**TOWER OVERSEAS LIMITED**  
**THE DIRECTOR'S REPORT (Continued)**  
**YEAR ENDED 31 DECEMBER 2008**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

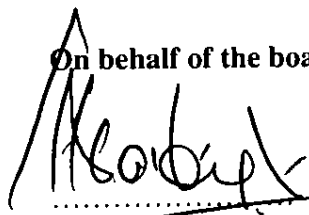
In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITOR**

Lipson & Co Limited are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

On behalf of the board



John Troostwyk  
Director

Approved by the director on 28.1.2010

**TOWER OVERSEAS LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TOWER OVERSEAS LIMITED****YEAR ENDED 31 DECEMBER 2008**

We have audited the group and parent company financial statements ("the financial statements") of Tower Overseas Limited for the year ended 31 December 2008, which have been prepared on the basis of the accounting policies set out on pages 10 to 12.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 group's and 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.

# TOWER OVERSEAS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TOWER OVERSEAS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2008

### OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

LIPSON & CO LTD

.....  
Lipson & Co Limited  
Chartered Certified Accountants  
& Registered Auditors

81A Station Road  
London  
E4 7BU

Dated 29.01.2009

**TOWER OVERSEAS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2008**

	Note	2008 €	2007 €
<b>TURNOVER</b>	<b>2</b>	<b>85,863,337</b>	<b>89,659,519</b>
Change in stock in raw materials and finished goods		5,673,509	636,405
Other operating income		613,745	524,687
Raw materials and consumables		(27,324,327)	(26,610,647)
Other external charges		(39,131,822)	(35,983,142)
Staff costs	6	(20,066,463)	(20,762,232)
Depreciation and amortisation		(3,403,401)	(3,611,941)
Bad debts		(154,909)	(166,274)
Other operating charges		(1,301,705)	(1,584,457)
Realisation of negative goodwill		1,197,396	1,197,396
		<u>(83,897,977)</u>	<u>(86,360,205)</u>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>1,965,360</b>	<b>3,299,314</b>
Non-operating profits		-	8,335
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>1,965,360</b>	<b>3,307,649</b>
Interest receivable and similar income	3	723,101	843,227
Interest payable and similar charges	4	(1,627,724)	(1,410,304)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,060,737</b>	<b>2,740,572</b>
Tax on profit on ordinary activities	7	(531,775)	(1,101,998)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>528,962</b>	<b>1,638,574</b>
<b>EQUITY MINORITY INTERESTS</b>		<b>237,916</b>	<b>(165,036)</b>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>766,878</b>	<b>1,473,538</b>
Balance brought forward		427,320	(1,046,218)
Balance carried forward		<u>1,194,198</u>	<u>427,320</u>

The group has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the group are classed as continuing.



**TOWER OVERSEAS LIMITED**  
**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2008**

	2008 €	2007 €
Profit for the financial year attributable to the shareholders of the parent company	766,878	1,473,538
Unrealised profit on revaluation of tangible fixed assets (net of taxes): Land and buildings	<u>39,598,878</u>	<u>-</u>
Total gains and losses recognised since the last financial statements	<u>40,365,756</u>	<u>1,473,538</u>

The notes on pages 10 to 20 form part of these financial statements

**TOWER OVERSEAS LIMITED****BALANCE SHEET****31 DECEMBER 2008**

	Note	Group 2008 €	Group 2007 €	Company 2008 €	Company 2007 €
<b>FIXED ASSETS</b>					
Negative goodwill	9	(9,679,348)	(10,876,744)	-	-
		(9,679,348)	(10,876,744)	-	-
Intangible assets	10	1,043,939	1,541,128	-	-
Tangible assets	11	55,194,937	14,629,859	-	-
Investments	12	468,613	168,613	2,136,528	2,136,528
Other financial assets	13	8,817,993	8,800,752	-	-
		55,846,134	14,263,608	2,136,528	2,136,528
<b>CURRENT ASSETS</b>					
Stocks	14	26,047,077	20,373,569	-	-
Debtors	15	40,366,052	40,447,828	18,502	21,817
Short term investments	16	3,129,783	3,129,783	-	-
Cash at bank		304,985	169,829	123	214
		69,847,897	64,121,009	18,625	22,031
<b>CREDITORS: Amounts falling due within one year</b>	17	(59,421,352)	(50,495,247)	(23,438)	(26,670)
<b>NET CURRENT ASSETS</b>		10,426,545	13,625,762	(4,813)	(4,639)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		66,272,679	27,889,370	2,131,715	2,131,889
<b>CREDITORS: Amounts falling due after more than one year</b>	18	(9,970,238)	(11,218,028)	(2,743,621)	(2,739,453)
		56,302,441	16,671,342	(611,906)	(607,564)
<b>PROVISIONS FOR LIABILITIES</b>	20	(7,580,616)	(8,077,356)	-	-
		48,721,825	8,593,986	(611,906)	(607,564)
<b>MINORITY INTEREST</b>		(7,596,233)	(7,834,150)	-	-
		41,125,592	759,836	(611,906)	(607,564)
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	21	11,303	11,303	11,303	11,303
Revaluation reserve	22	39,988,220	389,342	-	-
Other reserves	22	(68,129)	(68,129)	(281,122)	(281,122)
Profit and Loss Account	22	1,194,198	427,320	(342,087)	(337,745)
<b>SHAREHOLDERS' FUNDS</b>	23	41,125,592	759,836	(611,906)	(607,564)

These financial statements were approved and signed by the board on 28.1.2010

John Troostwyk  
Director

The notes on pages 10 to 20 form part of these financial statements

**TOWER OVERSEAS LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**31 DECEMBER 2008**

	Note	2008 €	2007 €
Net cash (outflow)/ inflow from operating activities	26	(2,093,628)	3,760,433
<b>Returns on investments and servicing of finance</b>			
Interest paid (net)		(1,308,624)	(1,045,077)
Net Cash (outflow)/inflow from returns on investments and servicing of finance		(1,308,624)	(1,045,077)
<b>Taxation</b>			
Taxation paid		(742,208)	(1,403,689)
		(742,208)	(1,403,689)
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(1,853,592)	(3,060,266)
Receipts from sale of fixed assets		2,971	26,435
Purchase of other financial assets		(317,241)	(55,076)
Net cash (outflow)/inflow from capital expenditure and financial investment		(2,167,862)	(3,088,907)
Net cash (outflow)/inflow before financing		(6,312,322)	(1,777,240)
<b>Financing</b>			
Loans received/(repaid)		5,966,478	(3,731,741)
Net cash inflow/(outflow) from financing		5,966,478	(3,731,741)
(Decrease)/increase in net cash for the year		(345,844)	(5,508,981)
<b>Reconciliation of cash flow to movement in net cash</b>			
Net cash at the beginning of the year		(11,064,171)	(5,555,190)
(Decrease)/ increase in net cash in the year		(345,844)	(5,508,981)
Net cash at the end of the year		(11,410,015)	(11,064,171)

The notes on pages 10 to 20 form part of these financial statements

# TOWER OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2008

#### 1. ACCOUNTING POLICIES

##### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

As the group's activities were carried out in euro during the year, the directors have considered it appropriate to continue presenting the financial statement in euro.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings other than Gardenia Orchidea Brasil Distribuicao De Ceramicas LTDA.

Gardenia Orchidea Brasil Distribuicao De Ceramicas LTDA has been excluded from the consolidation on the basis that its inclusion is not material for the purposes of giving a true and fair view of the consolidated financial statements.

The financial statements are adjusted, where appropriate, to conform to group accounting policies.

Gardenia Finanziaria S.p.A has been included in the Group financial statements using the acquisition method of accounting. Accordingly the Group profit and loss account and Statement of cash flows include the results and cash flows of Gardenia Finanziaria S.p.A for the year ended 31 December 2008.

The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

##### **Fixed assets**

All fixed assets are initially recorded at cost.

##### **Goodwill**

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life which is estimated to be 7.5 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Negative Goodwill on consolidation is recognised separately in the balance sheet. Negative Goodwill up to the fair values of the non-monetary assets acquired is recognised in the Profit and loss account in the period in which the non-monetary assets are recovered, whether through depreciation or sale which is estimated to be twenty years.

##### **Amortisation of intangible assets**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Start-up and expansion costs	Over 5 years
Industrial patents and intellectual property rights	Over 5 years
Concessions, licenses, trademarks and similar rights	Over 5 years
Trademark registration costs	Over 10 years
Licenses for use	Over 5 years
Application software	Over 3 years
Others	Over 9 years

**TOWER OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Depreciation of tangible fixed assets**

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives. The rates of depreciation charged are as follows:

Land & Buildings	3%-5.5%
Plant & Machinery	10%-22%
Industrial and commercial equipment	20%-25%
Other assets	12%-20%

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Investments**

Investments in subsidiary and associated undertakings are stated at cost less provision for diminution in value.

Other investments are carried at cost less provision for any decrease in their market value.

**Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

**TOWER OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Finance lease agreements**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

**Research and development**

Research expenditure is written off in the year in which it is incurred. Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortised over the life of the projects.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into euro at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Post retirement benefits**

The company provides post-retirement benefits to employees. The estimated cost of providing such benefits is charged against profits on a systematic basis over the employees' working lives within the company.

**2. TURNOVER**

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities.

The Group manufactures and markets ceramic floor and wall tiles.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008 €'000	2007 €'000
Interest receivable	16	25
Other financial income	694	818
Gains on foreign currency translation	13	-
	<u>723</u>	<u>843</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008 €'000	2007 €'000
Interest payable	1,210	889
Other financial expenses	416	463
Losses on foreign currency translation	2	58
	<u>1,628</u>	<u>1,410</u>

**TOWER OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**5. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2008	2007
	€	€
Director's emoluments	64,000	59,000
Auditor's remuneration	3,976	4,289
Realisation of negative goodwill	(1,197,396)	(1,197,396)
Depreciation and amortisation	<u>3,403,401</u>	<u>3,611,941</u>

**6. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the group during the financial year amounted to:

	2008	2007
	No	No
Number of staff	<u>397</u>	<u>404</u>

The aggregate payroll costs of the above were:

	2008	2007
	€	€
Wages and salaries	14,129,090	14,730,082
Social security costs	4,828,895	4,880,408
Severance indemnities	1,108,478	1,151,742
	<u>20,066,463</u>	<u>20,762,232</u>

**7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2008	2007
	€	€
Current tax:		
UK Corporation tax	-	-
Foreign tax	609,208	1,133,302
Group current tax	609,208	1,133,302
Deferred tax:		
Movement in deferred tax	(77,433)	(31,304)
Tax on profit on ordinary activities	<u>531,775</u>	<u>1,101,998</u>

**8. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the financial statements of the parent company is €4,342 (2007: €19,483).

**TOWER OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**9. NEGATIVE GOODWILL**

<b>Group</b>	<b>Total €</b>
<b>Cost:</b>	
At 1 January 2008 and at 31 December 2008	<u>23,947,915</u>
<b>Release to consolidated profit and loss account:</b>	
At 1 January 2008	13,071,171
Release for the year	<u>1,197,396</u>
At 31 December 2008	<u>14,268,567</u>
<b>Net Book Value</b>	
At 31 December 2008	<u>9,679,348</u>
At 31 December 2007	<u>10,876,744</u>

**10. INTANGIBLE ASSETS**

	<b>Industrial Patents and Intellectual Property Rights</b>	<b>Trademarks, licences and software</b>	<b>Other Intangible fixed assets</b>	<b>Total</b>
	€'000	€'000	€'000	€'000
<b>Cost:</b>				
At 1 January 2008	157	5,235	188	5,580
Additions	-	33	20	53
At 31 December 2008	<u>157</u>	<u>5,268</u>	<u>208</u>	<u>5,633</u>
<b>Amortisation:</b>				
At 1 January 2008	150	3,751	138	4,039
Charge for the year	7	516	28	551
At 31 December 2008	<u>157</u>	<u>4,267</u>	<u>166</u>	<u>4,590</u>
<b>Net Book Value</b>				
At 31 December 2008	<u>-</u>	<u>1,001</u>	<u>42</u>	<u>1,043</u>
At 31 December 2007	<u>7</u>	<u>1,484</u>	<u>50</u>	<u>1,541</u>



**TOWER OVERSEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**11. TANGIBLE FIXED ASSETS**

Group	Land & buildings	Plant & machinery	Indus. and commercial equipment	Other assets	Total
	€'000	€'000	€'000	€'000	€'000
<b>Cost:</b>					
At 1 January 2008	16,174	42,245	2,202	3,501	64,122
Additions	541	2,111	245	91	2,988
Revaluations	40,427	-	-	-	40,427
Disposals	-	(78)	(225)	(1)	(304)
At 31 December 2008	<u>57,142</u>	<u>44,278</u>	<u>2,222</u>	<u>3,591</u>	<u>107,233</u>
<b>Accumulated Depreciation:</b>					
At 1 January 2008	12,594	32,031	1,641	3,227	49,493
Charge for the year	232	2,307	179	135	2,853
Transfers	(36)	-	-	-	(36)
On disposals	-	(77)	(194)	(1)	(272)
At 31 December 2008	<u>12,790</u>	<u>34,261</u>	<u>1,626</u>	<u>3,361</u>	<u>52,038</u>
<b>Net Book Value</b>					
At 31 December 2008	<u>44,352</u>	<u>10,017</u>	<u>596</u>	<u>230</u>	<u>55,195</u>
At 31 December 2007	<u>3,580</u>	<u>10,214</u>	<u>561</u>	<u>274</u>	<u>14,629</u>

Land & buildings have been revalued to open market value during the year by Chartered Technician, Studio Tecnico Cuoghi in accordance with Italian legislation D.L. 185/2008.

**Finance lease agreements**

Included within the net book value of €55,194,937 is €170,879 (2007: €239,215) relating to assets held under finance lease agreements.

**12. INVESTMENTS**

Group	Shares in Subsidiary Undertakings	Shares in Associated Undertakings	Shares in Other Companies	TOTAL
	€	€	€	€
<b>COST:</b>				
At 1 January 2008	165,609	-	3,004	168,613
Additions	-	300,000	-	300,000
At 31 December 2008	<u>165,609</u>	<u>300,000</u>	<u>3,004</u>	<u>468,613</u>

Shares in Subsidiary Undertakings represent investment in Gardenia Orchidea Brasil Distribuicao De Ceramicas LTDA.

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**12. INVESTMENTS (continued)**

<b>Company</b>	<b>Shares in Subsidiary Undertakings €</b>	<b>TOTAL €</b>
<b>COST:</b>		
At 1 January 2008 and at 31 December 2008	<u><b>2,136,528</b></u>	<u><b>2,136,528</b></u>

The company's subsidiary undertakings at 31 December 2008 were as follows:

<b>Subsidiary Undertakings</b>	<b>Country of Incorporation</b>	<b>% Owned</b>	<b>Nature of Business</b>
Gardenia Finanziaria S.p.A	Italy	64%	Investment holding and provision of management and technical support to subsidiaries
Ceramiche Gardenia Orchidea S.p.A*	Italy	64%	Manufacturing of ceramic tiles
Garcolor S.p.A*	Italy	62%	Production of frits and compounds for ceramic tiles
Gardenia Orchidea Brasil Distribuicao De Ceramicas LTDA *	Italy	64%	Distribution of Ceramic tiles

\* Tower Overseas Limited holds these subsidiary undertakings through Gardenia Finanziaria S.p.A.

The company's associated undertakings at 31 December 2008 were as follows:

<b>Associated Undertakings</b>	<b>Country of Incorporation</b>	<b>% Owned</b>	<b>Nature of Business</b>
G.M.C SRL	Italy	21%	Manufacturing of ceramic tiles

Tower Overseas Limited holds the associated undertaking through Gardenia Finanziaria S.p.A.

**13. OTHER FINANCIAL ASSETS**

<b>Group</b>	<b>TOTAL €'000</b>
<b>COST:</b>	
At 1 January 2008	<b>8,801</b>
Additions/(disposals)	<u><b>17</b></u>
At 31 December 2008	<u><b>8,818</b></u>

Other financial assets consist of import deposits, contractual advances, capitalisation certificates and other diversified investments.

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**14. STOCK**

	<b>Group 2008 €</b>	<b>Group 2007 €</b>	<b>Company 2008 €</b>	<b>Company 2007 €</b>
Raw materials and consumables	1,409,278	1,183,621	–	–
Work in progress	223,202	310,454	–	–
Finished goods and goods for sale	24,414,597	18,879,494	–	–
	<u>26,047,077</u>	<u>20,373,569</u>	<u>–</u>	<u>–</u>

**15. DEBTORS**

	<b>Group 2008 €</b>	<b>Group 2007 €</b>	<b>Company 2008 €</b>	<b>Company 2007 €</b>
Trade debtors	33,759,921	34,905,952	–	–
Other debtors	3,394,163	2,672,625	21,817	14,764
Prepayment and accrued income	3,211,968	2,869,251	–	–
	<u>40,366,052</u>	<u>40,447,828</u>	<u>21,817</u>	<u>14,764</u>

**16. SHORT TERM INVESTMENTS**

<b>Group</b>	<b>TOTAL €</b>
Investments in securities	
<b>COST:</b>	
At 1 January 2008 and at 31 December 2008	<u>3,129,783</u>

**17. CREDITORS: Amounts falling due within one year**

	<b>Group 2008 €</b>	<b>Group 2007 €</b>	<b>Company 2008 €</b>	<b>Company 2007 €</b>
Trade creditors	29,063,602	28,233,881	–	–
Other taxes and social security	2,581,562	2,461,297	–	–
Other creditors	3,166,078	3,261,464	–	–
Accruals and deferred income	72,793	48,897	26,670	19,885
Bank overdraft	11,715,000	11,234,000	–	–
Bank loans	12,274,604	4,608,564	–	–
Other loans	547,713	647,144	–	–
	<u>59,421,352</u>	<u>50,495,247</u>	<u>26,670</u>	<u>19,885</u>

**TOWER OVERSEAS LIMITED**  
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**18. CREDITORS: Amounts falling due after more than one year**

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	€	€	€	€
Trade creditors	178,930	382,626	-	-
Other creditors	2,743,620	2,739,453	2,739,453	2,739,453
Other taxes and social security	906,918	355,048	-	-
Bank loans				
-repayable between two to five years	1,578,947	2,631,579	-	-
Other loans				
-repayable between two to five years	3,353,406	2,568,561	-	-
-repayable over five years	1,208,417	2,540,761	-	-
	<u>9,970,238</u>	<u>11,218,028</u>	<u>2,739,453</u>	<u>2,739,453</u>

Other creditors represent an unsecured interest-free loan of €2,743,620 (2007: €2,739,453) due to Eight Stars Establishment, the Group's ultimate holding company.

Other loans are unsecured against any assets of the group.

Interest on the bank loans were calculated at the rates of 1% to 6%

Interests on other loans were calculated at the rate of 3.06%.

**19. OBLIGATIONS UNDER FINANCE LEASE AGREEMENTS AND HIRE PURCHASE AGREEMENTS**

Future commitments under finance lease agreements are as follows:

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	€	€	€	€
Total amount payable	<u>155,000</u>	<u>108,515</u>	<u>-</u>	<u>-</u>
Finance lease agreements are analysed as follows:				
Current obligations	134,802	88,317	-	-
Non-current obligations	20,198	20,198	-	-
	<u>155,000</u>	<u>108,515</u>	<u>-</u>	<u>-</u>

**20. PROVISIONS FOR LIABILITIES**

	<b>Group 2008</b>	<b>Group 2007</b>	<b>Company 2008</b>	<b>Company 2007</b>
	€	€	€	€
Deferred taxation	469,968	547,401	-	-
Pensions and similar obligations	1,498,249	1,530,179	-	-
Employees severance indemnities	5,612,399	5,999,776	-	-
	<u>7,580,616</u>	<u>8,077,356</u>	<u>-</u>	<u>-</u>

**TOWER OVERSEAS LIMITED**  
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**21. SHARE CAPITAL****Group and Company**

	2008 €	2007 €
<b>Authorised share capital:</b>		
200,000 Ordinary shares of £1 each	<u>226,060</u>	<u>226,060</u>
<b>Group and Company</b>		
<b>Allotted, called up and fully paid:</b>		
10,000 Ordinary share capital of £1 each	<u>11,303</u>	<u>11,303</u>

**22. RESERVES****Group**

	Revaluation reserve €	Other reserves €	Profit and loss account €
Balance brought forward	389,342	(68,129)	427,320
Profit for the year	—	—	766,878
Other gains and losses			
- Revaluation of fixed assets	39,598,878	—	—
	<u>39,988,220</u>	<u>(68,129)</u>	<u>1,194,198</u>

**RESERVES****Company**

	Other reserves €	Profit and loss account €
Balance brought forward	(281,122)	(337,745)
Profit for the year	—	(4,342)
Balance carried forward	<u>(281,122)</u>	<u>(342,087)</u>

**23. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUND**

	Group 2008 €	Group 2007 €	Company 2008 €	Company 2007 €
Profit/(loss) for the financial year	766,878	1,473,538	(4,342)	(19,483)
Other gains and losses	39,598,878	—	—	—
Transfers to reserves	—	5,034	—	—
Opening shareholders' funds	759,836	(718,736)	(607,564)	(588,081)
Closing shareholders' funds	<u>41,125,592</u>	<u>759,836</u>	<u>(611,906)</u>	<u>(607,564)</u>

**24. CAPITAL COMMITMENTS**

There were no major capital commitments at the balance sheet date.

**TOWER OVERSEAS LIMITED**  
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**25. ULTIMATE PARENT COMPANY AND CONTROL**

The immediate and ultimate holding company is Eight Stars Establishment, a company registered in Liechtenstein.

**26. NOTES TO THE GROUP CASH FLOW STATEMENT**

**RECONCILIATION OF PROFIT BEFORE INTEREST TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2008 €	2007 €
Operating profit	1,965,360	3,299,314
Depreciation and amortisation	3,403,401	3,611,941
Negative goodwill written off	(1,197,396)	(1,197,396)
(Profit)/loss on disposal of fixed assets	(9,650)	233,594
Other non-cash movements	(1,245,175)	(746,331)
(Increase)/decrease in stocks	(5,673,508)	(636,404)
(Increase)/decrease in debtors	487,455	(89,815)
Increase/(decrease) in creditors	175,885	(714,470)
Net cash inflow/(outflow) from operating activities	<u>(2,093,628)</u>	<u>3,760,433</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2008 €	2007 €
Increase/(decrease) in cash in the year	(345,844)	(5,508,981)
Net cash outflow/(inflow) from loans and finance leases	<u>(5,966,478)</u>	<u>3,731,741</u>
Change in net funds	(6,312,322)	(1,777,240)
Net debt at 1 January	(24,060,780)	(22,283,540)
Net funds at 31 December	<u>(30,373,102)</u>	<u>(24,060,780)</u>

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Jan 2008 €	Cash flows €	At 31 Dec 2008 €
Net cash:			
Cash in hand and at bank	169,829	135,156	304,985
Overdrafts	(11,234,000)	(481,000)	(11,715,000)
	<u>(11,064,171)</u>	<u>(345,844)</u>	<u>(11,410,015)</u>
Debt:			
Debt due within 1 year	(5,167,391)	(7,520,124)	(12,687,515)
Debt due after 1 year	(7,720,703)	1,600,131	(6,120,572)
Finance lease agreements	(108,515)	(46,485)	(155,000)
	<u>(12,996,609)</u>	<u>(5,966,478)</u>	<u>(18,963,087)</u>
Net funds	<u>(24,060,780)</u>	<u>(6,312,322)</u>	<u>(30,373,102)</u>

**James Collacott**

**Work List – w/e 29 January 2010**

Previous week

1. Finished the management accounts for November 2009 for RC Sloane Street.
2. Continued work on management accounts for December 2009 for Valentino England Limited;
3. Finalised December management accounts for Lagardere Limited
4. Dealt with tax withholding of Andrea Bocelli
5. Dealt with various team tax and accounting queries etc.

This week

1. Finalise the management accounts for December 2009 for RC Sloane Street.
2. Finalise management accounts for December 2009 For Valentino England
3. Finalise VAT return for RC Sloane Street quarter to 31 December 2009
4. Finalise VAT return for Valentino England for quarter to 31 December 2009
5. Commence management accounts for January for Lagardere Limited
6. Dealing with miscellaneous queries as raised by team members