

2707097 (England and Wales)

TOWER OVERSEAS LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2001

**Heywards
Chartered Accountants
St. George's House
15 Hanover Square
London W1S 1HR**



TOWER OVERSEAS LIMITED

Company Information

Directors	J. Hirschbaeck C Ebersberg
Secretary	Fiduserv Limited
Company Number	2707097 (England and Wales)
Registered Office	7-10 Old Park Lane Fifth Floor, Suite C London W1K 1QR
Auditors	Heywards St. George's House 15 Hanover Square London W1S 1HR
Bankers	Singer & Friedlander Ltd 41/43 Maddox Street London W1R 0BS

TOWER OVERSEAS LIMITED

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TOWER OVERSEAS LIMITED

Directors' Report

for the year ended 31 December 2001

The Directors present their report and the audited financial statements for the year ended 31 December 2001.

Trading Results

	2001	2000
	£	£
Loss for the year after tax	<u>£5,597</u>	<u>£8,175</u>

Principal Activities

The principal activity of the company is that of an investment company.
The principal activity of the company's subsidiary is the production of ceramics.

Directors and their Interests

The directors who served during the year were as follows:

J. Hirschbaeck
C Ebersberg

None of the directors had any interest in the share capital of the company.

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.

In the preparation of the directors' report advantage has been taken of the special provisions applicable to small companies conferred by part VII of the Companies Act 1985.

This report was approved by the Board on 16 October 2002.

J HIRSCHBAECK
Director

TOWER OVERSEAS LIMITED

Independent Auditors' Report to the shareholders of Tower Overseas Limited

We have audited the financial statements of Tower Overseas Limited on pages 3 to 8 for the year ended 31 December 2001. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1 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 December 2001 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

16 October 2002

St. George's House
15 Hanover Square
London W1S 1HR

TOWER OVERSEAS LIMITED

Profit and Loss Account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover		-	-
Administrative Expenses		<u>(5,390)</u>	<u>(8,199)</u>
Operating Loss	2	(5,390)	(8,199)
Interest receivable and similar income	4	171	54
Interest payable and similar charges	5	<u>(378)</u>	<u>(30)</u>
Loss on ordinary activities before taxation		(5,597)	(8,175)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Loss for the year	11	<u>£(5,597)</u>	<u>£(8,175)</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 2001

	Notes	2001	2000
		£	£
FIXED ASSETS			
Investments	7	1,661,475	1,661,475
CURRENT ASSETS			
Loan Debtor Fellow Subsidiary – Ideal Standard Overseas Ltd	7,506		7,106
Cash at Bank and in hand	12,226		13,033
	<u>19,732</u>		<u>20,139</u>
CREDITORS: Amounts falling due within one year	8 (1,762)		(2,675)
NET CURRENT ASSETS		17,970	17,464
		<u>1,679,445</u>	<u>1,678,939</u>
CREDITORS: Amounts falling due after more than one year	9 (1,854,042)		(1,847,939)
TOTAL NET LIABILITIES		<u>£(174,597)</u>	<u>£(169,000)</u>
CAPITAL AND RESERVES			
Called up share capital	10 10,000		10,000
Profit and Loss Account	11 (184,597)		(179,000)
Shareholders Funds	12 £(174,597)		£(169,000)

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements were approved by the Board on 16 October 2002.

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 2001

1 ACCOUNTING POLICIES

a Accounting Convention

The financial statements are prepared in accordance with the historical cost convention and the Financial Reporting Standard for Smaller Entities (effective March 2000).

b Cashflow

The financial statements do not include a cash flow statement because the company as a small reporting entity, is exempt from the requirements to prepare such a statement under Financial Reporting Standard 1 "Cash Flow Statements".

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 subsidiary 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 2001

2 OPERATING LOSS

	2001	2000
	£	£
This is stated after charging:		
Auditors' remuneration	262	1,175
Directors fees	881	881
	<u> </u>	<u> </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

	2001	2000
	£	£
Bank Interest received	171	20
Profit on foreign exchange	-	34
	<u>£171</u>	<u>£ 54</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank Charges	44	30
Loss on foreign exchange	334	-
	<u>£378</u>	<u>£30</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 2001

7 INVESTMENTS

Shares in group undertakings and participating interests

Cost

	£
At 1 January 2001 and 31 December 2001	£1,661,475

In the opinion of the directors the aggregate value of the company's investment in the subsidiary undertaking 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 company:

Company	Country of registration or incorporation	Shares Held Class %
Subsidiary undertaking		
Gardenia Finanziaria SPA	Italy	Ordinary 64.17

The results of the group accounts of Gardenia Finanziaria SPA for the year to 31 December 2001 were as follows:

Capital and reserves	£23,127,090
Loss for the year	£(1,537,751)

8 CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Other creditors and accruals	£1,762	£2,675

9 CREDITORS: Amounts falling due after more than one year

	2001 £	2000 £
Shareholders loan	£1,854,042	£1,847,939

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

TOWER OVERSEAS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2001

10 SHARE CAPITAL

	2001 £	2000 £
Authorised 200,000 Ordinary shares of £1 each	£200,000	£200,000
	<hr/>	<hr/>
Allotted, called up and fully paid 10,000 Ordinary shares of £1 each	£10,000	£10,000
	<hr/>	<hr/>

11 PROFIT AND LOSS ACCOUNT

	2001 £	2000 £
Accumulated losses at 1 January 2001	(179,000)	(170,825)
Loss for the year	(5,597)	(8,175)
	<hr/>	<hr/>
Accumulated losses at 31 December 2001	£(184,597)	£(179,000)
	<hr/>	<hr/>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2001 £	2000 £
Loss for the financial year	(5,597)	(8,175)
Opening shareholders funds	(169,000)	(160,825)
	<hr/>	<hr/>
Closing shareholders funds	£(174,597)	£(169,000)
	<hr/>	<hr/>

13 ULTIMATE HOLDING COMPANY

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