

GARBUIO DESIGN LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 2001



Company No. 3205926

GARBUIO DESIGN LIMITED

COMPANY INFORMATION

Directors

Mr A S Westlake
Mr M Favaro
Mr C.R Mabey
Mr E.T Ray

Secretary

Mr C.R Mabey

Company number

3205926

Registered office

Hartland House
26 Winchester Street
Basingstoke
Hampshire
RG21 7GU

Auditors

Baker Tilly
Springpark House
Basing View
Basingstoke
Hants
RG21 4HG

GARBUIO DESIGN LIMITED

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GARBUIO DESIGN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST OCTOBER 2001

The directors present their report and the audited financial statements for the company for the year ended 31st October 2001.

Principal activities

The company's principal activity during the year was the manufacture, research, development and design of new tobacco machinery.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

Name of director	Share type	At 31st October 2001	At 1st November 2000
Mr A S Westlake	Ordinary £1 shares	-	-
Mr M Favaro	Ordinary £1 shares	-	-
Mr C.R Mabey	Ordinary £1 shares	-	-
Mr E.T Ray	Ordinary £1 shares	-	-
Dr G L Formelli (resigned 01/09/2001)	Ordinary £1 shares	-	-

All of the shares are owned by the ultimate parent company. The ultimate parent company is European Tobacco Development SA, a company incorporated in Luxembourg.

Statement of 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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 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.

GARBUIO DESIGN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST OCTOBER 2001

Small company exemptions

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

By order of the Board

Mr C.R Mabey, Secretary
Unit 10A
Hopkinson Way
West Portway Industrial Estate
Andover
SP10 3LE
Date: _____

 22 March 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GARBUIO DESIGN LIMITED

We have audited the financial statements of Garbuio Design Limited for the year ended 31st October 2001 on pages 4 to 10. 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 on page 6.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities 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 other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

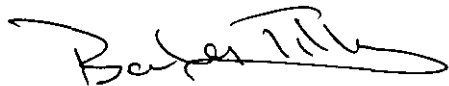
Basis of audit opinion

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 31st October 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Baker Tilly
Chartered Accountants and Registered Auditors
Springpark House
Basing View
Basingstoke
Hants
RG21 4HG
Date: 24/3/02

GARBUIO DESIGN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST OCTOBER 2001

	Notes	2001 £	2000 £
Turnover	2	1,872,056	681,398
Cost of sales		(1,314,143)	(529,182)
Gross profit		557,913	152,216
Distribution costs		(30,270)	(4,764)
Administrative expenses		(564,670)	(358,874)
Other operating income		-	3,446
Operating loss	4	(37,027)	(207,976)
Interest receivable		1,712	1,708
Interest payable and similar charges	5	(2,281)	(430)
Loss on ordinary activities before taxation		(37,596)	(206,698)
Tax on loss on ordinary activities		-	-
Loss for the financial year		(37,596)	(206,698)
Retained loss brought forward		(1,103,023)	(896,325)
Retained loss carried forward		(1,140,619)	(1,103,023)

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

GARBUIO DESIGN LIMITED


BALANCE SHEET

AS AT 31ST OCTOBER 2001

	Notes	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	6		52,402		8,651
			<u>52,402</u>		<u>8,651</u>
Current assets					
Stocks		608,303		479,426	
Debtors	7	292,947		266,687	
Cash at bank and in hand		64,394		1,141	
		<u>965,644</u>		<u>747,254</u>	
Creditors: amounts falling due within one year	8	<u>(430,554)</u>		<u>(135,831)</u>	
Net current assets			<u>535,090</u>		<u>611,423</u>
Total assets less current liabilities			<u>587,492</u>		<u>620,074</u>
Creditors: amounts falling due after more than one year	9		<u>(5,014)</u>		<u>-</u>
			<u>582,478</u>		<u>620,074</u>
Capital and reserves					
Share capital	11		1,723,097		1,723,097
Profit and loss account			<u>(1,140,619)</u>		<u>(1,103,023)</u>
Shareholders' funds			<u>582,478</u>		<u>620,074</u>

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

These financial statements were approved by the board on 22nd March 03 and signed on its behalf by:


Mr A S Westlake
Director

GARBUIO DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 2001

1 Accounting policies

Basis of accounting

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

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

Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts.

Tangible fixed assets and depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, over their expected useful lives:

Plant and machinery	20% Straight Line
Furniture and equipment	20% Straight Line
Fixtures and fittings	20% Straight Line
Computer equipment	33% Straight Line

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

GARBUIO DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 2001

2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

3 Directors' remuneration

	2001	2000
	£	£
Aggregate emoluments	<u>107,935</u>	<u>79,000</u>

4 Operating loss

<i>The operating loss is stated after charging or crediting:</i>	2001	2000
	£	£
Depreciation of tangible fixed assets:		
owned assets	8,036	5,620
-assets held under finance leases and hire purchase	1,900	-
Loss on disposal of fixed assets	201	-
Auditors' remuneration	<u>4,430</u>	<u>1,200</u>

5 Interest Payable and Similar Charges

	2001	2000
	£	£
Interest payable includes:		
On finance lease and hire purchase contracts	<u>176</u>	<u>-</u>

GARBUIO DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 2001

6 Tangible fixed assets

	Plant and machinery etc £	Total £
Cost		
At 1st November 2000	44,430	44,430
Additions	53,888	53,888
Disposals	(938)	(938)
At 31st October 2001	97,380	97,380
Depreciation		
At 1st November 2000	35,779	35,779
Charge for the year	9,936	9,936
On disposals	(737)	(737)
At 31st October 2001	44,978	44,978
Net book value		
At 31st October 2001	52,402	52,402
<i>At 31st October 2000</i>	<i>8,651</i>	<i>8,651</i>

Assets held under finance leases originally cost £19,000 (2000: £-) and have a net book value of £17,099 (2000: £-).
Depreciation charged for the year was £1,900 (2000: £-).

7 Debtors	2001 £	2000 £
Trade debtors	272,244	252,414
Other debtors	20,703	14,273
	292,947	266,687

GARBUIO DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 2001

8	Creditors: amounts falling due within one year	2001 £	2000 £
	Bank loans and overdrafts	-	33,296
	Obligations under hire purchase and finance lease	3,167	-
	Trade creditors	99,188	35,225
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	223,275	60,545
	Other creditors	104,924	4,765
	Directors' current accounts	-	2,000
		<u>430,554</u>	<u>135,831</u>

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets.

'Other creditors' include £47,325 (2000: £-) in respect of taxation and social security.

9	Creditors: amounts falling due after more than one year	2001 £	2000 £
	Obligations under hire purchase and finance lease	5,014	-
		<u>5,014</u>	<u>-</u>

10	Obligations under hire purchase and finance leases	2001 £	2000 £
	Obligations under hire purchase contracts and finance leases are analysed between amounts payable:		
	In the next year	3,167	-
	In the second to fifth years inclusive	5,014	-
		<u>8,181</u>	<u>-</u>

11	Share capital	2001 £	2000 £
	Authorised		
	2,500,000 Ordinary shares of £1.00 each	2,500,000	2,500,000
		<u>2,500,000</u>	<u>2,500,000</u>
	Allotted		
	1,723,097 Allotted, called up and fully paid ordinary shares of £1.00 each	1,723,097	1,723,097
		<u>1,723,097</u>	<u>1,723,097</u>

GARBUIO DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 2001

12 Operating lease commitments

At 31st October 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001	2000
	£	£
Operating leases which expire:		
Within one year	-	28,000
Between two and five years	85,000	-
	<u>85,000</u>	<u>28,000</u>

13 Related parties

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 9 from the requirement to make disclosures concerning related parties.

14 Ultimate holding company

The immediate and ultimate parent company is European Tobacco Development S.A., a company registered in Luxembourg.

European Development S.A. prepares group financial statements and copies can be obtained from European Tobacco Development S.A., 32 Rue Auguste, Neven, Luxembourg.

15 Post balance sheet events

On 28th November 2001 the company changed its name to Garbuio Limited.