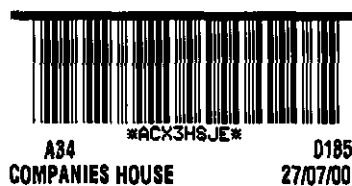


GARBUIO DESIGN LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST OCTOBER 1999



Company No. 3205926

GARBUIO DESIGN LIMITED

COMPANY INFORMATION

Directors

Mr A S Westlake
Mr M Favaro
Mr C.R Mabey
Mr E.T Ray
Dr G L Formelli

Appointed 1.10.99

Secretary

Mr C.R Mabey

Company number

3205926

Registered office

Unit D
Alexander Bell Centre
West Portway
Andover
SP10 3UR

Auditors

Harris Walters
Hartland House
26 Winchester Street
Basingstoke
Hants
RG21 7GU

Bankers

Barclays Bank Plc

GARBUIO DESIGN LIMITED

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GARBUIO DESIGN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST OCTOBER 1999

The directors present their report and the audited accounts for the company for the year ended 31st October 1999.

Principal activities

The company's principal activity during the year was the 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 1999	At 1st November 1998
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	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.

Year 2000

Many computer and digital storage systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

GARBUIO DESIGN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST OCTOBER 1999

Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts 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 accounts 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 accounts 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 1999

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

Date: 01.02.2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF GARBUIO DESIGN LIMITED

We have audited the accounts on pages 5 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st October 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Harris Walters
Chartered Accountants and Registered Auditors
Hartland House
26 Winchester Street
Basingstoke
Hants
RG21 7GU
Date:

GARBUIO DESIGN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST OCTOBER 1999

	Notes	1999 £	1998 £
Turnover	2	59,923	71,211
Cost of sales		<u>(105,376)</u>	<u>(36,147)</u>
Gross loss/profit		(45,453)	35,064
Administrative expenses		<u>(348,247)</u>	<u>(287,582)</u>
Operating loss	3	(393,700)	(252,518)
Interest receivable	12	726	1,254
Interest payable and similar charges		<u>(324)</u>	<u>(86)</u>
Loss on ordinary activities before taxation		(393,298)	(251,350)
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
Loss for the financial year		(393,298)	(251,350)
Retained loss brought forward		(503,027)	(251,684)
Retained loss carried forward		(896,325)	(503,034)

There were no recognised gains or losses for 1999 or 1998 other than those included in the profit and loss account.

GARBUIO DESIGN LIMITED

BALANCE SHEET

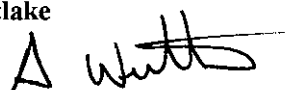
AS AT 31ST OCTOBER 1999

	Notes	£	1999 £	£	1998 £
Fixed assets					
Tangible assets			13,560		15,958
			<u>13,560</u>		<u>15,958</u>
Current assets					
Stocks	7	234,845		212,500	
Debtors	8	17,194		21,102	
Cash at bank and in hand		(12,642)		(36,003)	
		<u>239,397</u>		<u>197,599</u>	
Creditors: amounts falling due within one year	9	(6,179)		(6,536)	
Net current assets			<u>233,218</u>		<u>191,063</u>
Total assets less current liabilities			<u>246,778</u>		<u>207,021</u>
Creditors: amounts falling due after more than one year			-		(151)
			<u>246,778</u>		<u>206,870</u>
Capital and reserves					
Share capital	10		1,143,103		709,904
Profit and loss account			(896,325)		(503,034)
Shareholders' funds	11		<u>246,778</u>		<u>206,870</u>

The accounts 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 1999).

These accounts were approved by the board on **01.02.00** and signed on its behalf by:

Mr A S Westlake
Director



GARBUIO DESIGN LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1999

1 Accounting policies

Basis of accounting

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

Turnover

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

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, by reducing balance method over their expected useful lives:

Plant and machinery	33% 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.

2 Turnover

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

3 Operating loss

The operating loss is stated after charging or crediting:

	1999	1998
	£	£
Depreciation of tangible fixed assets:		
owned assets	10,507	9,977

4 Interest payable and similar charges

	1999	1998
	£	£
Interest payable on bank loans and overdrafts	324	86

GARBUIO DESIGN LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1999

5 Directors and employees

Staff costs, including directors' remuneration, were as follows:

	1999 £	1998 £
Wages and salaries	151,596	102,058
Social security costs	14,499	9,185
	<u>166,095</u>	<u>111,243</u>

Directors' emoluments

	1999 £	1998 £
Aggregate emoluments	84,830	82,000
	<u>84,830</u>	<u>82,000</u>

6 Tangible fixed assets

	Plant and machinery £	Furniture and equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1st November 1998	485	4,353	521	30,253	35,612
Additions	6,789	171	-	1,149	8,109
At 31st October 1999	<u>7,274</u>	<u>4,524</u>	<u>521</u>	<u>31,402</u>	<u>43,721</u>
Depreciation					
At 1st November 1998	89	1,891	243	17,431	19,654
Charge for the year	530	899	104	8,974	10,507
At 31st October 1999	<u>619</u>	<u>2,790</u>	<u>347</u>	<u>26,405</u>	<u>30,161</u>
Net book value					
At 31st October 1999	<u>6,655</u>	<u>1,734</u>	<u>174</u>	<u>4,997</u>	<u>13,560</u>
At 31st October 1998	<u>396</u>	<u>2,462</u>	<u>278</u>	<u>12,822</u>	<u>15,958</u>

7 Stocks

	1999 £	1998 £
Finished goods	234,845	212,500
	<u>234,845</u>	<u>212,500</u>

GARBUIO DESIGN LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1999

8	Debtors	1999	1998
		£	£
	Trade debtors	-	1,772
	Other debtors	17,193	19,331
		<u>17,194</u>	<u>21,102</u>
	Debtors include an amount of £- (1998: £-) falling due after more than one year.		
9	Creditors: amounts falling due within one year	1999	1998
		£	£
	Trade creditors	218	636
	Other creditors	3,960	3,900
	Directors' current accounts	2,000	2,000
		<u>6,179</u>	<u>6,536</u>
10	Share capital	1999	1998
		£	£
	Authorised		
	1,500,000 Ordinary shares of £1.00 each	1,500,000	1,000,000
		<u>1,500,000</u>	<u>1,000,000</u>
	Allotted		
	1,143,103 Allotted, called up and fully paid ordinary shares of £1.00 each	1,143,103	709,904
		<u>1,143,103</u>	<u>709,904</u>
11	Reconciliation of movement in shareholders' funds	1999	1998
		£	£
	Loss for the financial year	(393,298)	(251,350)
	Decrease in the shareholders' funds	(393,298)	(251,350)
	Opening shareholders' funds	640,076	458,220
	Closing shareholders' funds	<u>246,778</u>	<u>206,870</u>
12	Interest receivable	1999	1998
		£	£
	Other interest receivable	726	1,254
		<u>726</u>	<u>1,254</u>