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RONSON PLC ANNUAL REPORT & ACCOUNTS 1999

Chairman's Review

I am happy to report that Ronson enters the new century a focused, financially sound and dynamic Group. Thanks to the excellent performance of the management team of Simon Russell, John Graham and Pam Hulme and their associates, Ronson now has a cost-effective and integrated structure that can compete effectively in the global market place and respond flexibly to the needs of a whole new generation of consumers.

The Group balance sheet continues to be an asset with cash in the bank, no debt, and availability of additional funding through our line of credit. Additionally, we have a tax loss carry forward that can be utilised as our business grows to assist in acquisitions or in sheltering future profits for continued growth.

The successful launch of the new range of design-led disposable lighters are to be followed by a series of new and related premium consumer products that will reconfirm Ronson as a brand that stands for market innovation. I am particularly excited about the world-class designers who have agreed to partner us to take the Ronson brand into exciting directions that build on the Ronson strong legacy and distribution structure.

Furthermore, the possibilities that Internet-based commerce provides for cannot be underestimated. Ronson's new and planned premium consumer products are ideal for Internet sales. Our forward-looking management team have already established a road-map and identified Internet partners for such a strategy, that will also create a more efficient procurement and global distribution system for Ronson. One of the first actions in this regard has been to secure the Corporate web-site address (www.ronson.com).

Ronson global name recognition remains strong. Now that Ronson is on a solid financial and management footing, the careful and selective extension of the Ronson brand is planned for, particularly an Internet venture that can take advantage of Ronson's brand recognition and help strengthen the core business.

Finally, I would like to thank Ronson's management team, employees and supportive Directors for their outstanding efforts in 1999. They effectively worked as a team to reshape the Group and put Ronson on a growth-oriented direction. The results speak for themselves and I am grateful for their achievements.

Victor Kiam
Chairman

3 April 2000

Managing Director's Review

1999 was a year of major restructuring for the Group with the principal focus on streamlining activities, reducing our cost base and building new relationships in our core ongoing 'flame products' business. Due to the efficient and cohesive approach of the management team the Group has delivered a profit before tax of £616,000 (1998: loss £4,919,000) despite the costs of the significant restructuring process.

Much of the restructuring took place in the first half of the year although in the second half we resigned our license agreement for Pierre Cardin costume jewellery and the business was transferred successfully and smoothly to a duty free specialist distributor with minimal cost. The second half also saw improved sales in our core 'flame' products business and important new relationships built in our international markets.

Total sales for the Group declined by 45%. This was anticipated. Our new disposable lighter was well received in the final quarter and the initial response indicates that it will be a significant contributor to our future business.

Looking forward to 2000 we see a year of re-engineering and repositioning for the Group that will establish a solid base for future growth. This process will enable the Ronson brand to capitalise on its international heritage and consumer awareness and re-awaken interest in the Group's products. The key thrusts to this process are the further re-alignment of our current activities and most importantly the introduction of several key strategic initiatives explained in detail below.

Turning first to our current activities, we intend in 2000 to complete the transition from a Distribution-based to a Brand Management and Licensing-based business. Our principle aim is to establish licensing partners but we will evaluate each market and product category separately to determine the appropriate direction. This will give us greater flexibility and ensure the focus of the Group is squarely on re-establishing the Ronson brand, our principle asset, as a household name in the global marketplace.

In accordance with this strategy we have recently licensed our Ronson 'in flight' Duty Free sales to a specialist distributor in this sector. To ensure continuity of supply we have also recently established a subsidiary company in Poland. Throughout the year we intend to expand and strengthen our distribution partnerships to ensure that in all our international markets the Group's current and future products are receiving the highest level of attention, exposure and promotion.

The second and most significant thrust is the introduction and implementation of several key strategic initiatives that will ensure a vibrant and wholly more appealing product range, a contemporary new brand image and full utilisation of the Internet to market our products, monitor and manage our business and develop new business opportunities.

Internet Strategy

We intend to place the Internet at the centre of our strategy to transform the Group. The management sees the Internet as key to our future and fully recognise the opportunities it creates to revolutionise the business community. We have retained the services of PSINet subsidiary, Xpedior, as a partner-consulting firm to assist the Group with this strategy. Our strategy is broadly as follows:

E-Business

We intend to make significant investments in technology to create 'state of the art' capability and a Website that will enable highly effective marketing, management, distribution and communication. This involves two significant implementation activities:

i Back-end Business to Business transaction enabled portal with community functionality.
ii Front-end e-commerce site with community functionality.

E-Ventures

We will be participating in new Internet businesses that are not currently core to our business but where we can leverage our existing assets and expertise. In this aim, an e-venture opportunity has been identified that capitalises on the core strength of the Group and will, if developed, be an exciting and dynamic new business opportunity whilst also significantly raising awareness and the profile of the Ronson brand.

Product and Brand Development

Ronson was historically synonymous with contemporary design and innovation and its global recognition has this as its foundation. It is critical to our future success that Ronson products again have these important attributes. It is our intention to immediately embark on establishing key partnerships with world leading designers to develop new products of distinction and to create a dynamic new brand image. The Ronson brand has great elasticity and it is our intention to develop new products in both our core 'flame' market as well as other product categories where we believe the combination of our brand name and strong design will add value and generate profitable revenue for the Group.

All of the above mentioned initiatives represent a significant investment of Group resources and further details of our activities will be communicated to our shareholders on a regular basis.

To summarise, the Group has successfully completed a major restructuring program and is now entering the re-building phase. We already have many strengths: - a strong brand, a committed and competent management team, an extensive distribution base, a profitable core business and cash resources. These combined with the above mentioned new initiatives have the potential to create a truly world class brand and a dynamic, profitable and enduring business.

We wish to acknowledge the support of all our shareholders throughout this period.

Simon Russell
Managing Director

3 April 2000

Operational Review

During 1999 we successfully reduced our operating sites to one which centralised all operational and administrative activities for our ongoing business. In certain cases we have contracted out activities to specialist companies.

The streamlining of our operations and continuous striving for best practice objectives has resulted in our customers receiving excellent levels of service. Ronson is now a highly graded supplier in their assessments. A strong emphasis on supply chain management has contributed to improved quality in service and product and a significant reduction in the net stock value. The business now enjoys a flexible cost structure.

As noted in the Managing Director's review, the licence agreement for Pierre Cardin jewellery has now been terminated. The business was transferred to a new distributor in a clean and controlled manner, with low associated exit costs.

New product development in the core product area and extending the Ronson brand into other product categories are important and exciting prospects. We are working with some world class designers and our suppliers to develop these new products.

In addition the operational team is poised to embrace and develop an e-commerce environment for our current activities and future operational and marketing opportunities.

John Graham
Operations Director

3 April 2000

Financial Review

The year of 1999 saw the financial stabilisation of the Group. The key statistics are as follows:

	1999 **£'000**	1998 £'000
Turnover	**10,200**	18,481
Operating Profit/(loss)	**587**	(4,661)
Profit/(loss) before Tax	**616**	(4,919)
Earnings/(loss) per share	**0.04p**	(1.29p)
Dividend	**Nil**	Nil

In line with Group policy of a downsizing to our core and profitable activities 1999 saw a fall in turnover by some 45%. Additionally we saw an improvement in gross margins achieved and a Group-wide reduction in costs.

The balance sheet is now much stronger with net cash and a reduction in capital employed in the business. Inventory is at more acceptable levels, working capital requirements are comfortably within our cash generation abilities and the business is better positioned than for many years to go forward.

Ronson is now a financially stable operating Group ending the year with cash of £1.2m and a banking facility of £2.75m. I see this as a significant resource not only to fund the ongoing core business but also to invest with prudence in prospects that can have an impact on the Group.

The current year has started well; the Group is trading to budget and currently has cash at bank of £1.6m. We have engaged world class partners for our new product development program and our e-business initiatives. This will be a significant investment during the forthcoming year.

We will be looking at opportunities to bolster our business through acquisitions in both core activities in flame products and in areas where additional product will obviously enhance our wider objective of building the Ronson brand. Previous years' tax losses potentially give the Group a substantial advantage in any acquisition proposal.

Pam Hulme FCCA
Finance Director

3 April 2000

Directors and Advisers

Directors	Victor K Kiam (Executive Chairman) Farzad A Rastegar (Executive Deputy Chairman) George H Moore (Non Executive Director) Pamela A Hulme (Finance Director) Simon J Russell (Managing Director) John M Graham (Operations Director)
Company Secretary and Registered Office	Pamela A Hulme International House Old Brighton Road Lowfield Heath CRAWLEY West Sussex RH11 0QN Tel: 01293 843600 Fax: 01293 843665
Principal Bankers	National Westminster Bank plc 10 South Street ROMFORD Essex RM1 1RD
Registered Auditors	Baker Tilly 2 Bloomsbury Street LONDON WC1B 3ST
Registrars	Connaught St Michaels Limited PO Box 30, CSM House Victoria Street LUTON Bedfordshire LU1 2PZ
Stockbrokers and Financial Advisers	Charles Stanley & Company Limited 25 Luke Street LONDON EC2A 4AR
Registered Number	1907889

Report of the Directors

for the year ended 31 December 1999

The Directors present their report and the financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the Group are the sourcing, marketing, distribution and licensing of branded products.

Review of business activities

Details of the review of business are given in the Chairman's Review on page 2 and the Managing Director's, Operational and Financial Reviews on pages 3 to 6.

The consolidated profit and loss account for the year is set out on page 15.

Dividends

The Directors have not declared a dividend in respect of the year ended 31 December 1999 (1998: £Nil).

Directors

The Directors who served during the year are as follows:

V K Kiam	
G H Moore	
F A Rastegar	
P A Hulme	(appointed 13 May 1999)
S J Russell	(appointed 13 May 1999)
J M Graham	(appointed 13 May 1999)

Biographical details of the current Directors are as follows:

Victor Kiam, 73, Executive Chairman became a Director on 6 March 1998. Mr Kiam began his corporate career at Lever Brothers in 1951. After successes at Playtex and Banrus Corporation, Mr Kiam purchased Remington Products in 1979 in one of the first and most successful leveraged buyouts. His marketing and advertising know-how, coupled with his entrepreneurial skills, were largely responsible for the transformation of Remington, with a history of losses, into a leading consumer products company. Mr Kiam presently serves as Chairman of Remington Products Company, LLC. He is also Chairman of several private companies, including the Franzus Company, the leading travel appliance and accessory company in the US, Cirrus Air Technologies, the marketer of EarPlanes, a device that eradicates painful ear pressure for travellers who fly, and Lady Remington Jewellery, a party plan jewellery distributor. He is also Chairman of Citadel Technologies, a software provider of computer security.

Farzad Rastegar, 44, Executive Deputy Chairman became a Director on 6 March 1998. Mr Rastegar is a director of Berkeley Capital Advisors Limited, investment advisers to Albion Consortium Fund Limited, the Company's largest shareholder. Prior to the establishment of Berkeley Capital Advisors Limited, Farzad Rastegar was with the Wellsford Group Inc. ("WGI"), a merchant banking firm specialising in real estate finance. Prior to joining WGI in 1988, Mr Rastegar was with the Asian Oceanic Group, a Hong Kong based merchant bank, as an Executive Vice President. In the UK, he was non-executive director of the Filofax Group plc from 1990 to 1992 during the turnaround of that company, a non-executive director of Apax Partners & Co. Corporate Finance Limited from 1996 to 1998 and, since April 1998 Executive Chairman of Sunleigh plc.

Pamela A Hulme FCCA, 36, Finance Director became a director on 13 May 1999. Mrs Hulme has nineteen years experience in industry accounting and has worked for a number of diverse medium sized businesses at director level. Mrs Hulme worked in the private sector specifically involved in establishing and implementing financial and management control systems. Pam Hulme is also Company Secretary for the Group.

Simon J Russell, 40, Managing Director became a director on 13 May 1999. Mr Russell was most recently General Manager of Europe for Conair Corporation USA, a manufacturer of personal care and kitchen appliances. He was responsible for the creation of its distribution network as well as successfully launching the company in Europe. Prior to this, he was General Manager of the European Operations of Clairol Appliances, a division of Bristol Myers Corporation. Simon Russell has been with Ronson since September 1998.

John M Graham, 35, Operations Director became a director on 13 May 1999. Mr Graham has been with the Ronson Group of companies for over ten years originally being Operations Director of the Newcastle based Ronson business. John Graham has been responsible for the successful restructuring of operations, specifically the sale or closure of non-core businesses and for the reorganisation of the supply and distribution functions in the ongoing business.

George H Moore MA MBA FCA FCMA, 47, Non-executive Director, became a Director on 18 December 1998. Mr Moore qualified with Arthur Andersen and has been involved, at Board level, in re-building businesses for 15 years.

In accordance with the articles of association, Mr Rastegar retires by rotation and offers himself for re-election. In addition Mr Russell, Mrs Hulme and Mr Graham, who have been appointed since last year's Annual General Meeting, retire and offer themselves for election. Details of the Executive Directors' service contracts are provided on page 11.

Directors' interests

The interests of the Directors in the ordinary shares of the Company at 31 December 1999, together with their interests at 31 December 1998 or date of appointment, if later, were as follows:

	31 December 1999	31 December 1998 or date of appointment if later
V K Kiam	**100,000,000**	100,000,000
F A Rastegar*	**328,352,338**	328,352,338
J M Graham	**213,000**	213,000

* held through Albion Consortium Fund Limited and others acting in concert.

Directors' interests in share options and warrants

The Company operates two share option schemes and has previously issued warrants. The interests of the Directors in share options and warrants at 31 December 1999, together with their interests at 31 December 1998 or date of appointment, if later, were as follows:

	Options		Warrants	
	31 December 1999	31December 1998	**31 December 1999**	31 December 1998
V K Kiam	**-**	-	**70,491,005**	93,988,006
P A Hulme	**7,988,981**	-	**-**	-
S J Russell	**7,988,981**	-	**-**	-
J M Graham	**7,988,981**	-	**-**	-

Further details of these schemes are set out under "Share options" below and in note 19 to the accounts.

Share price

The market price of the Company's shares at the end of the financial year was 2.10p and the range of market prices during the year was between 0.88p and 2.10p.

Substantial shareholdings

At 3 April 2000 the company had not been notified of any substantial shareholdings other than the Directors' shareholdings disclosed above.

Charitable and political contributions

The Group made no charitable or political contributions during the year.

Employees

The Group's policy is to consult and discuss with employees, through meetings with those employees, matters likely to affect employees' interests. Information on matters of concern to employees is provided through regular internal memoranda and announcements.

The selection, training and promotion of staff takes account of the requirements of the specific job description. In this context, all decisions are based on merit and without reference to gender, race, age or disability.

Directors' remuneration

Since 1 June 1998, the Board has acted as the Remuneration Committee, the details of the Directors' remuneration follows.

Executive Directors' remuneration

The same remuneration philosophy applies to Directors and senior executives as to all other employees. This is to ensure that they are rewarded competitively relative to other companies in order to attract, retain and motivate executives who are expected to meet the highest levels of performance.

Remuneration for Executive Directors comprises short term rewards and can include salary, pension contributions, annual bonus, private health insurance, life and critical illness insurance allowance and long term rewards in the form of share options and performance related to earnings per share.

Short term rewards

Salary

Salaries for Executive Directors are reviewed annually on 1 January each year. Salary increases are based on a qualitative assessment of the change in the individual's responsibilities and performance, the Group's financial results and inflation. When considering the increase to be granted, the Board reviews available information on comparable companies in order to ensure that salary levels are in line with competitive rates of similar businesses as far as is reasonably possible.

Pension contributions

The Group does not operate a pension scheme but makes contributions to individual pension schemes up to a current maximum of 9% of gross salary where required.

Bonuses

The Group operates an annual bonus scheme for all Directors and employees. The bonus scheme is performance related.

Directors' insurance

The Group has maintained normal indemnity insurance during the year for its Directors and officers against liability when acting for the Group.

Private health, life and critical illness insurances

The Group provides health, life and critical illness insurance for Directors where required.

Long term rewards

Share options

The Group operates an Inland Revenue approved Executive Share Option Scheme and an unapproved Executive Share Option Scheme as approved by shareholders on 18 September 1998 for Executive Directors and senior management.

Details of options granted to directors are set out under Directors' interests above.

Service contracts

The longest notice period for the Executive Directors is six months.

Details of Directors' remuneration for the year under review is as follows:

	Salary and fees £'000	Allowances £'000	Pension contributions £'000	1999 Total £'000	1998 Total £'000
Executive:					
V K Kiam	27	-	-	27	22
F A Rastegar	46	-	-	46	45
S J Russell	94	-	5	99	-
P A Hulme	86	-	-	86	-
J M Graham	88	1	5	94	-
Non-Executive:					
G H Moore	48	-	-	48	8
	389	1	10	400	75

Remuneration shown reflects payments made since appointment dates if appointed during 1999.

Payment to suppliers

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The average creditor days for the Group was 65. The standard terms of trading with the majority of the Group's suppliers is 45 days.

Year 2000

The Group undertook a comprehensive review of the impact of the millennium date change before the end of 1999. To date, the Group has suffered no ill effects as a result of the year 2000 problem.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The Directors also confirm that applicable accounting standards have been followed. The Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985, as amended, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

The Group is committed to high standards of corporate governance. The Board is accountable to the Group's shareholders for good corporate governance. The Directors confirm that Ronson plc supports the Combined Code on Corporate Governance ("the code") issued by the London Stock Exchange. It has not complied throughout the year with all of the code provisions set out in Section 1 of the code. The areas of non-compliance and the reasons for it are set out below.

At the year end the Board comprised of five executive directors and one non-executive director. The Board met for regular business on a monthly basis.

The Board is responsible for the overall direction and strategy of the Group chaired by Mr Kiam. Mr Rastegar fulfilled the position of Executive Deputy Chairman for the whole year. The operational executive team, Mr Russell, Mrs Hulme and Mr Graham were responsible for execution of the Group's direction and strategy.

Mr Moore was the only non-executive director during the year. Consequently, the Board has performed the duties which would normally be carried out by the Audit, Nomination and Remuneration Committees. The Board intends to delegate such responsibilities to the appropriate committees in accordance with the code following the appointment of a sufficient number of non-executive directors.

Going concern

It should be recognised that any statement about the future, which by definition cannot be predicted with any certainty, involves making a judgement at a particular point in time. The Directors can confirm that they have the reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

Internal financial controls

The Group has adopted the transitional approach for the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999 and reports as follows.

Wider aspects of internal control

The Board expects to have the procedures in place in May 2000 necessary to implement the guidance, *Internal Control: Guidance for Directors on the Combined Code.*

The Board has considered the need for internal audit, but has decided that because of the size of the Group it cannot be justified at present. The Board will review this decision before 31 December 2000.

The Board is responsible for ensuring the Group maintains a system of internal financial controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, any such system can only provide reasonable, and not absolute, assurance against mis-statement or loss.

The Group's key internal financial control and monitoring procedures include the following:

- The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decisions by the Board. A combination of executive Directors have responsibility for specific aspects of the Group's affairs.
- The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.
- Each year the Board approves the annual budget. Each month detailed monthly reports of the trading results, balance sheet and cashflows are produced. These are subject to regular review and follow up by the management of variances from budgets.
- Key financial risks are controlled through the use of clearly laid down authorisation levels and proper segregation of accounting duties.
- Staff are made aware of the need for good internal controls through appropriate policy and procedure statements. The operation and effectiveness of controls is monitored by a process of control self assessment.
- Mr Moore, the only independent non-executive director, has reviewed the external audit and effectiveness of the system of internal financial controls for the year under review and has reported his findings to the Board.

Auditors

Baker Tilly are seeking re-appointment at the Annual General Meeting and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board

PA Hulme

P A Hulme FCCA
Company Secretary

3 April 2000

Report by the Auditors

to the Shareholders of Ronson plc

We have audited the financial statements on pages 15 to 28 which have been prepared under the historical cost convention and the accounting policies set out on pages 18 and 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 12 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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. 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and Group is not disclosed.

We review whether the statement on pages 12 and 13 reflects the Group's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 Group'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 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 Group and Company's affairs as at 31 December 1999 and of the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST

3 April 2000

Consolidated Profit and Loss Account
for the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	**10,200**	18,481
Cost of sales		**(6,182)**	(12,775)
Gross Profit		**4,018**	5,706
Distribution costs		**(1,176)**	(3,611)
Administrative expenses		**(2,255)**	(6,756)
Operating Profit/(loss)		**587**	(4,661)
Interest receivable	6	**43**	35
Interest payable	6	**(14)**	(293)
Profit/(loss) on Ordinary Activities before Taxation	7	**616**	(4,919)
Tax on profit/(loss) on ordinary activities	8	**(196)**	400
Profit/(loss) on Ordinary Activities after Taxation Retained		**420**	(4,519)
Basic earnings /(loss) per ordinary share	11	**0.04p**	(1.29p)
Fully diluted earnings /(loss) per ordinary share	11	**0.04p**	(1.29p)

The Group has no recognised gains and losses other than those included above and therefore no separate statement of recognised gains and losses has been presented.

The turnover and operating result in both 1999 and 1998 relate to continuing activities.

Balance Sheets
at 31 December 1999

	Note	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Fixed assets					
Tangible assets	12	**475**	631	-	-
Investments	13	-	-	**2,923**	2,923
		475	631	**2,923**	2,923
Current assets					
Stocks	14	**2,157**	3,163	-	-
Debtors	15	**1,683**	2,521	-	-
Cash at bank and in hand		**1,206**	1,085	-	-
		5,046	6,769	-	-
Creditors:					
Amounts falling due within one year	16	**(2,761)**	(4,909)	**(402)**	(312)
Net current assets/(liabilities)		**2,285**	1,860	**(402)**	(312)
Total assets less current liabilities		**2,760**	2,491	**2,521**	2,611
Creditors:					
Amounts falling due after more than one year	17	**(54)**	(205)	**(54)**	(205)
		2,706	2,286	**2,467**	2,406
Capital and reserves					
Called up share capital	19	**4,578**	4,578	**4,578**	4,578
Share premium account	20	**21,651**	21,651	**21,651**	21,651
Special reserve	20	-	-	**13,631**	13,631
Profit and loss account	20	**(23,523)**	(23,943)	**(37,393)**	(37,454)
Equity shareholders' funds	21	**2,706**	2,286	**2,467**	2,406

The financial statements were approved by the Board of Directors on 3 April 2000 and were signed on its behalf by:

PA Hulme

P A Hulme FCCA
Director

3 April 2000

Consolidated Cash Flow Statement
for the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Net cash outflow from operating activities	22	**(130)**	(4,189)
Returns on investments and servicing of finance			
Interest received		**43**	35
Interest paid		**(14)**	(269)
		29	(234)
Taxation			
UK corporation tax received		**234**	877
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(138)**	(436)
Proceeds from disposal of tangible fixed assets		**76**	43
		(62)	(393)
Acquisitions and disposals			
Proceeds from sale of business	25	**136**	-
Cash inflow/(outflow) before financing		**207**	(3,939)
Financing			
Issue of ordinary share capital		-	8,515
Expenses paid in connection with share issue		-	(610)
Advances from factor		-	(1,360)
Repayment of principal under finance leases		**(86)**	(30)
Net cash (outflow)/inflow from financing		**(86)**	6,515
Increase in cash in the year	23	**121**	2,576

Notes to the Financial Statements
for the year ended 31 December 1999

1 Principal accounting policies and basis of preparation

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 1999. The results of subsidiaries and businesses acquired or sold are included in the consolidated profit and loss account from or to the date control passes.

On acquisition of a subsidiary or business, all of the assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill

Goodwill arising on acquisition and consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

The Group adopted the transitional provisions of FRS10 and has not reinstated goodwill previously eliminated against reserves.

Any goodwill arising on future acquisition of subsidiary undertakings will be capitalised and written off over its useful life.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Short leasehold land and buildings	Lease term
Motor vehicles	25% per annum
Plant and machinery, fixtures and fittings	15% per annum or 10% - 20% on reducing balances

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Notes to the Financial Statements
for the year ended 31 December 1999

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products cost includes all direct expenditure and production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax, intra-Group trading and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

Foreign currencies

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. All differences are taken to the profit and loss account.

Pension costs

The Group contributes to defined contribution pension schemes on behalf of certain senior employees. The amount charged to the profit and loss account represents contributions due for the period payable to the individual policies effected by employees with independent insurance companies.

Financial instruments

In accordance with FRS13 note 30 of the financial statements includes disclosure on financial instruments. Other than those disclosed in note 30 the Group's policy is that of not trading in financial instruments.

2 Analysis by geographical area

All sales originate, all results are generated and all net assets are located in the United Kingdom.

A geographical analysis of turnover by destination is given below:

	1999	1998
	£'000	£'000
United Kingdom	**5,879**	13,133
Rest of Europe	**2,789**	3,015
Asia	**670**	442
Rest of the World	**862**	1,891
	10,200	18,481

Notes to the Financial Statements
for the year ended 31 December 1999

3 Operating profit/(loss)

The operating loss in 1998 included the following exceptional charges which principally arose from the provisions for discontinued product ranges and restructuring of business activities.

	1999 £'000	1998 £'000
Included within cost of sales		
– Stock losses and stock provisions	-	1,112
Included within administrative expenses		
– Relocation, reorganisation and redundancy costs	-	554

4 Directors' emoluments

	1999 £'000	1998 £'000
Fees	79	21
Emoluments for management services (including allowances)	311	335
Pension contributions	10	17
Compensation for loss of office	-	25
	400	398

Full details of Directors' emoluments are set out in the Report of the Directors.

5 Employee information

The average monthly number of employees (including Executive Directors) employed by the Group was:

	1999 Number	1998 Number
By activity		
Production/manufacturing	7	53
Warehouse	10	2
Selling and management	19	47
Administration	40	43
	76	145

	1999 £'000	1998 £'000
Staff costs		
Wages and salaries	1,444	2,760
Social security costs	154	251
Other pension costs	43	22
	1,641	3,033

Notes to the Financial Statements
for the year ended 31 December 1999

6 Interest receivable and payable

	1999 £'000	1998 £'000
Interest receivable	**43**	35
Interest payable and similar charges:		
On bank loans and overdrafts	-	(289)
On HP/finance leases	**(11)**	(4)
Other interest	**(3)**	-
	(14)	(293)

7 Profit/(loss) on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
- Tangible owned fixed assets	**176**	217
- Tangible fixed assets held under finance leases	-	18
(Profit)/loss on disposal of tangible fixed assets	**(8)**	2
Write down of fixed assets to residual values	-	218
Auditor's remuneration (including expenses) for:		
- Audit	**29**	58
- Other services	**28**	78
Hire of plant and machinery - operating leases	**36**	17
Hire of other assets – operating leases	**112**	396

The audit fee includes £10,000 (1998: £15,000) in respect of the Company.

8 Tax on ordinary activities

	1999 £'000	1998 £'000
Adjustment in respect of previous years	-	(335)
Deferred	-	(65)
ACT not currently recoverable	**196**	-
	196	(400)

It is estimated that the Group has further taxable losses of £12m carried forward and available for offset against future trading profits.

9 Profit/(loss) for the financial year

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the financial year was £61,000 (1998: loss of £(34,158,000))

Notes to the Financial Statements
for the year ended 31 December 1999

10 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 1999 (1998: £Nil).

11 Earnings per ordinary share

Earnings per ordinary share has been calculated by reference to 1,065,197,407 weighted average ordinary shares in issue (1998: 349,991,828) and profits of £420,000 (1998: losses of £(4,519,000)).

Fully diluted earnings per ordinary share have been calculated by reference to 1,081,421,690 weighted average ordinary shares, including the effective issue in relation to options granted during the year and issued warrants, and earnings of £420,000.

The fully diluted earnings per ordinary share for 1998 are based upon identical figures, as the effect of the issue of ordinary shares in relation to options would be non-dilutive.

12 Tangible fixed assets

Group

	Short leasehold land and buildings £'000	Motor vehicles, plant and machinery £'000	Other fixtures and fittings £'000	Total £'000
Cost				
At 1 January 1999	148	947	1,005	2,100
Additions	-	1	137	138
Disposals	(103)	(866)	(232)	(1,201)
At 31 December 1999	**45**	**82**	**910**	**1,037**
Depreciation				
At 1 January 1999	101	838	530	1,469
Charge for year	7	21	148	176
Disposals	(84)	(782)	(217)	(1,083)
At 31 December 1999	**24**	**77**	**461**	**562**
Net book value				
At 31 December 1999	**21**	**5**	**449**	**475**
At 31 December 1998	47	109	475	631

The book amounts for motor vehicles include the following amounts in respect of assets held under finance leases: cost £nil (1998: £16,500), depreciation £nil (1998: £10,313).

Company

The net book value of tangible fixed assets is nil for 1999 and 1998.

Notes to the Financial Statements
for the year ended 31 December 1999

13 Investments

Company

	1999 £'000	1998 £'000
At valuation		
At 1 January 1999	**2,923**	17,612
Provision against carrying values	-	(14,689)
Net book value		
At 31 December 1999	**2,923**	2,923

The historical cost of investments is £28,651,000 (1998: £28,651,000).

The Company's investments consist of interests in Group undertakings.

The details of the Company's principal subsidiary undertaking are set out below.

Name of undertaking	Principal activity	Description of shares held
Ronson International Limited	Import and distribution of lighters and gift products	Ordinary 5p shares

The above company is incorporated in and operates in England and Wales and is a wholly owned subsidiary included in the consolidated financial statements. The shares in Ronson International Limited are owned by Ronson plc.

14 Stocks

Group

	1999 £'000	1998 £'000
Raw materials and consumables	-	192
Finished goods and goods for resale	**2,157**	2,971
	2,157	3,163

15 Debtors

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Amounts falling due within one year:				
Trade debtors	**1,344**	1,520	-	-
Corporation tax recoverable	**123**	358	-	-
ACT recoverable	-	196	-	-
Other debtors	**71**	79	-	-
Prepayments and accrued income	**145**	368	-	-
	1,683	2,521	-	-

Notes to the Financial Statements
for the year ended 31 December 1999

16 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Obligations under finance leases	**-**	86	**-**	-
Trade creditors	**1,397**	1,739	**-**	-
Amounts owed to group undertakings	**-**	-	**77**	-
Other taxation and social security	**461**	349	**-**	-
Other creditors	**152**	318	**150**	142
Accruals and deferred income	**751**	2,417	**175**	170
	2,761	4,909	**402**	312

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Other creditors repayable by instalments:				
Between 1 and 2 years	**54**	150	**54**	150
Between 2 and 5 years	**-**	55	**-**	55
	54	205	**54**	205

18 Provisions for liabilities and charges

Deferred taxation

No provision has been made in the year for deferred taxation as tax losses carried forward exceed all timing differences.

Notes to the Financial Statements
for the year ended 31 December 1999

19 Called up share capital

	1999 £'000	1998 £'000
Authorised		
131,644,977,062 ordinary shares of 0.01p each	**13,164**	13,164
136,984,020 deferred shares of 4.99p each	**6,836**	6,836
	20,000	20,000
Allotted, issued and fully paid		
1,065,197,407 ordinary shares of 0.01p each	**107**	107
89,596,203 deferred shares of 4.99p each	**4,471**	4,471
	4,578	4,578

The deferred shares are non-voting and are subject to a number of restrictions. These restrictions render them effectively valueless and they are not listed on any investment exchange.

Share options

The Company operates two executive share option schemes, one of which has been approved by the Inland Revenue in accordance with the Finance Act 1984 and the Income and Corporation Tax Act 1988 as appropriate.

The following share options were in force at 31 December 1999:

Date options granted	Option price per share	Period exercisable	Number of shares
17 March 1999	1p	17 March 2002 – 16 March 2012	9,000,000
17 March 1999	0.93p	17 March 2002 – 16 March 2012	14,966,943
28 May 1999	1p	28 May 2002 – 27 May 2012	2,000,000

Warrants

Warrants to subscribe for ordinary shares of 1p each have been in issue through the year.

Warrant holders may subscribe at 1p over four years to 18 September 2003 for specified numbers of new ordinary shares subject to certain conditions being fulfilled. No warrants were exercised during the year.

The number of warrants outstanding at 31 December 1999 was 70,491,005.

Notes to the Financial Statements
for the year ended 31 December 1999

20 Share premium account and reserves

Group

	Share premium account £'000	Profit and loss account £'000
At 1 January 1999	21,651	(23,943)
Profit for the year	-	420
At 31 December 1999	**21,651**	**(23,523)**

Company

	Share premium account £'000	Special reserve £'000	Profit and loss account £'000
At 1 January 1999	21,651	13,631	(37,454)
Profit for the year	-	-	61
At 31 December 1999	**21,651**	**13,631**	**(37,393)**

The Special reserve was created in March 1994 following the capital reduction approved by the High Court. Under the terms of the capital reduction the reserve may be transferred to the profit and loss account when all creditors at the date of the capital reduction have been paid in full or have consented to such transfers.

21 Reconciliation of movements in shareholders' funds

Group

	1999 £'000	1998 £'000
Profit/(loss) for the year	**420**	(4,519)
Issue of shares (net of expenses)	-	7,905
Net addition to shareholders' funds	**420**	3,386
Opening shareholders' funds	**2,286**	(1,100)
Closing shareholders' funds	**2 706**	2,286

22 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	1999 £'000	1998 £'000
Operating profit/(loss)	**587**	(4,661)
Depreciation of tangible fixed assets	**176**	235
Write down of fixed assets to residual values	-	218
(Profit)/loss on disposal of tangible fixed assets	**(8)**	2
Decrease in stocks	**920**	2,177
Decrease in debtors	**416**	3,108
Decrease in creditors	**(2,221)**	(5,268)
Net cash outflow from operating activities	**(130)**	(4,189)

Notes to the Financial Statements
for the year ended 31 December 1999

23 Reconciliation of net cash flow to movement in net debt

	1999 £'000	1998 £'000
Increase in cash in the year	121	2,576
Cash flow from movement in debt	97	1,390
Change in net cash resulting from cashflows	218	3,966
Other non-cash items:		
Finance leases	(11)	(90)
Movement in net funds in the period	207	3,876
Net funds/(debt) at 1 January	999	(2,877)
Net funds at 31 December	1,206	999

24 Analysis of net funds/(debts)

	At 1 January 1999 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 1999 £'000
Cash at bank and in hand	1,085	121	-	1,206
Finance leases	(86)	97	(11)	-
Net funds/(debt)	999	218	(11)	1,206

25 Sale of business

	1999 £'000	1998 £'000
Net assets disposed of		
Fixed assets	46	-
Stocks	98	-
	144	-
Loss on disposal	(8)	-
	136	-
Satisfied by		
Cash	136	-

26 Capital commitments

Group

No capital commitments were contracted for at 31 December 1999.

27 Contingent liabilities

Group undertakings have provided guarantees to HM Customs and Excise totalling £200,000 (1998: £560,000).

The Company has provided unlimited guarantees for the borrowing of its subsidiary undertakings. As at 31 December 1999, subsidiary undertakings had borrowings of £79,633 which were subject to this guarantee (1998: borrowings of £573,000).

Notes to the Financial Statements
for the year ended 31 December 1999

28 Financial commitments

At 31 December 1999 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Expiring between one and five years	**73**	374	**45**	136
	73	374	45	136

29 Related party transactions

One of the Company's Directors, Mr Kiam, controls a company known as RPI Corp. a Delaware Corporation.

In the year, purchases of £1,408 (1998: £107,486) were made relating to consultancy services from RPI Corp. At 31 December 1999, £202 (1998: £51,000) was included in trade creditors in respect of this company. All dealings regarding these services were conducted on an arms length basis.

There were no other material related party transactions.

30 Financial instruments

Interest rate and exchange rate risk.

This information is disclosed in accordance with the requirements of FRS13. Comparative figures are not provided, as permitted by FRS13, since this is the first reporting period in which the FRS has come into effect.

At 31 December 1999 the interest rate and currency profile of the Group's financial assets was as follows:

	Interest free £'000	Floating interest rates £'000	Fixed interest rates £'000	Total £'000
Financial assets				
Cash and bank deposits				
denominated in sterling	828	-	-	828
denominated in US dollars	-	52	250	302
denominated in Hong Kong dollars	1	-	-	1
denominated in Euros	28	-	-	28
denominated in Yen	-	47	-	47
	857	99	250	1,206

Fixed interest rate deposits yield interest at 2.161%.

Floating interest rate deposits yield interest at 1%.