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RONSON PLC ANNUAL REPORT & ACCOUNTS 2000

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Statement of the Chairman

Results

On the 5th December 2000 the Board announced to shareholders that the Group would be reporting increased losses for the financial year to 31st December 2000. The reasons for the losses are detailed below and in the Operating and Financial Review.

The results for 2000 were disappointing given the relatively reasonable position reported at the half-year. For the first six months the Group reported a loss of £473,000 on turnover of £3,541,000 and at that time we expected the second half sales to improve the final result. The expected improvement in sales did not materialise due to the weak product offering, the reduced number of distribution partners and the weak global retail environment. Although the reduction in distribution partners during 2000 was planned, the recruitment of new partners took longer than expected. The new product development program outlined in the interim statement, is now producing results which will be seen during 2001.

The losses incurred include the full write off of our e-business initiative started at the beginning of 2000 and reported in last years annual report. Additionally we have charged to the profit and loss account the costs incurred with our international product designer as it is unlikely that the Group's current resources will be sufficient to embark on a large scale product diversification program at this time. In venturing into e-business the subsequent deviation from the core business and lack of focus on immediate opportunities resulted in lost time, effort and potential profit from additional core activities. It must be noted that had this project continued we would have seen far greater costs and further management distraction. We are pleased to report that although costs have been incurred the project has been aborted with no further effect on operations or cash. The loss for the year before taxation, therefore was £1,658,000 on turnover of £7,246,000.

Current Trading and Prospects.

The Group is trading to budget in the first quarter of 2001. New distribution partners have been recruited for some regions of the world where it is politically or geographically difficult for us to sell directly. We expect to trade during 2001 with a full year of new distribution partners and additionally with new lighter products which have started to impact the business. The business will continue to advance by the recruitment of further distribution partners in new markets during 2001. New lighters have been introduced in both the gift and disposable ranges having the traditional Ronson characteristics of quality and excellent design. This year will be the first time for many years that the Ronson Company has launched any new innovative and exclusive products.

Additional positive news is that there is a solid demand for the new products particularly in export markets and we expect good contribution from these developments during 2001 and in the years to come. This goes to show that the investment which the Company has made to revive the Ronson Brand is clearly working and bodes well for the future.

Directors, Management and Staff

In December 2000 Simon Russell (Managing Director) left the Group and John Graham was appointed Managing Director. John was appointed to the main board in May 1999 and has a proven ability in both restructuring and business development. Pam Hulme, Finance Director will assume additional responsibility for stakeholder relations. The Group is currently in the process of recruiting a senior marketing manager as an addition to the management team. I would like to thank the executives for their continuing effort.

I would also like to thank the staff who have worked hard to help the Group prepare for future growth and with the restructuring behind us we now have the opportunity to fully exploit the value of Ronson, one of the world's most famous brands

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Enclosed with this Annual Report and Accounts is a formal notice convening an Extraordinary General Meeting of the Company, to be held immediately after the Annual General Meeting. This EGM is required as the net assets of the Company are currently less than 50% of the called up share capital. The purpose of the EGM is to consider what action if any, is necessary to address this issue. As detailed above 2000 was a poor year, however the Board's preferred route is to continue with the renewed focus as described in this report.

Victor K Kiam
Non-executive Chairman
30 March 2001

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Operating and Financial Review

Introduction

As the Chairman has already outlined in his report the year 2000 was a disappointing year for the Group. Nevertheless, with the restructuring complete there are a number of promising indications for the future, which include the growing acceptance of the Ronson Brand in existing and important new markets, and an aggressive new product development program. The Group also benefits from a committed and competent management team.

Results

2000 saw a reduction in turnover by some 30%. At the half year the reduction was 31% and at that time was as anticipated. We did however expect the second half turnover to improve as had traditionally been experienced. The Directors consider that the loss of contribution to Group profitability as a result of the failure to improve turnover during the second half was approximately £650,000. The costs incurred from the e-business initiative and the cost of the international product design work, both charged to profits, were approximately £350,000. Further charges totalling £210,000 have been made for stock write down, bad debts and redundancy. Direct selling costs for the year, as a percentage of turnover, reduced by 3.5% as a result of controlling expenditure and improved negotiations with customers for listing fee contributions. Overhead costs for the year are some £930,000 over that incurred in 1999 as a direct result of the one off costs of the e-business, product development charges and the additional charges made. At the end of 2000 we significantly reduced the overhead costs of the business and this improvement will be apparent in the reporting of 2001. The losses at the half-year were £473,000 and therefore we are reporting a loss for the year of £1,658,000.

The losses incurred during 2000 were funded primarily from cash reserves, however the Group has adequate facilities to meet its current projections. The first quarter of 2001 has produced positive results against the budget and with the new product launches from April 2001 we expect this positive momentum to continue. Our tax loss carry forward will assist in sheltering future profits.

Shareholder funds as at 31st December 2000 were £1,048,000.

Ronson Products and Brand Development

During the course of 2001 many new innovatively designed lighters and accessory products will be introduced. Lighters remain the core product in our range and will continue to be the main contributor to the business for the immediate future. The strength of the Ronson Brand name in the lighter category, both in the UK and International markets, should not be under estimated. Product range diversification has been investigated in the recent past and will continue to be part of the future strategy. However, in the short term, our limited resources must be concentrated in areas where an immediate return can be obtained.

This means concentration on our core business with carefully researched diversification programs initiated where resources allow.

Ronson Brand Management and Licensing

The Group continues to explore licensing opportunities similar to those already contracted. Opportunities exist especially in International markets to license the Ronson Brand name for specific products in specific regions and these are being carefully evaluated.

Management of the Ronson Brand will be controlled to ensure only quality merchandise will be licensed and that a diminution of the Ronson Brand name will not be allowed to occur.

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Home Market

Our home market continues to improve year on year in sales growth in the core categories however our margins have come under pressure due to exchange rate fluctuations of the US dollar. Margins will continue to suffer for the first half of 2001. Management are confident that this market will remain strong and will enhance its sales and profitability as new products sell through.

Polish Market

As a strategic move a Ronson subsidiary company has been trading in Poland for the last nine months of 2000. We are pleased to report that trading is higher than management expectations with Ronson Polska returning a small net profit in its start up nine months. Awareness of the Ronson Brand name is growing in this country and management expect excellent results for 2001.

Summary

The results for 2000 were disappointing. However, initiatives were implemented during the year which gave a foundation on which to rebuild the Group. 2001 is now about that rebuilding process and implementation and execution of our strategy to revitalise the Ronson Brand name.



John M Graham
Managing Director



Pam A Hulme FCCA
Finance Director

30 March 2001

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Directors and Advisers

Directors	Victor K Kiam (Non-Executive Chairman) Farzad A Rastegar (Non-Executive Deputy Chairman) Jim R Clark (Non-Executive Director) John M Graham (Managing Director) Pamela A Hulme (Finance 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

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Report of the Directors

for the year ended 31 December 2000

The Directors present their report and the financial statements for the year ended 31 December 2000.

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 Operating and Financial Reviews on pages 4 and 5.

The consolidated profit and loss account for the year is set out on page 14.

Dividends

The Directors have not declared a dividend in respect of the year ended 31 December 2000 (1999: £Nil).

Directors

The Directors who served during the year are as follows:

V K Kiam	
F A Rastegar	
J M Graham	
P A Hulme	
J R Clark	(appointed 30 June 2000)
S J Russell	(resigned 31 December 2000)
G H Moore	(resigned 30 June 2000)

Biographical details of the current Directors are as follows:

Victor Kiam, 74, Non-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 Benrus 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 Healthcare Products LLC, the marketer of Ear Planes, a device that eradicates painful ear pressure for travellers who fly. Lady Remington Jewellery, a party plan jewellery distributor, Pic Design Corporation a developer and marketer of precision componentary. He is also Chairman of Citadel Technology Holdings and Director of Parago, its subsidiary, a coupon rebate fulfilment and product fulfilment business. Mr Kiam is also on the board of numerous other private companies.

Farzad Rastegar, 45, Non-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. Mr Rastegar holds a number of board level positions in companies both in the United States and the United Kingdom.

John M Graham, 36, Managing Director became a director on 13 May 1999. Mr Graham has been with the Ronson Group of companies for over eleven years originally being Operations Director of the Newcastle based Ronson business. Mr Graham was responsible for the successful restructuring of operations, specifically the sale or closure of non-core businesses and for the reorganisation of the

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supply and distribution functions in the ongoing business. John Graham was appointed Managing Director at the end of 2000 and has proven ability in both restructuring and business development.

Pamela A Hulme FCCA, 36 Finance Director became a director on 13 May 1999. Mrs Hulme has twenty 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.

Jim R Clark FRICS, 57, Non-executive Director Mr Clark is a non-executive director of a number of companies and executive committee member of the Quoted Company Alliance, formerly the City Organisation for Smaller Companies. Jim Clark brings to the Board a depth and breadth of experience in corporate governance, strategy and finance.

In accordance with the articles of association, Mr Rastegar retires by rotation and offers himself for re-election. The service contract with Mr Rastegar has a one-month notice period. In addition Mr Clark, who has been appointed since last year's Annual General Meeting, retires and offers himself for election. Details of the Directors' service contracts are provided on page 10.

Directors' interests

The interests of the Directors in the ordinary shares of the Company at 31 December 2000, together with their interests at 31 December 1999 or date of appointment, if later, were as follows:

	31 December 2000	31 December 1999 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	463,000	213,000
P A Hulme	750,000	-

* 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 2000, together with their interests at 31 December 1999 or date of appointment, if later, were as follows:

	Options		Warrants	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
V K Kiam	-	-	51,693,403	70,491,005
P A Hulme	7,988,981	7,988,981	-	-
J M Graham	7,988,981	7,988,981	-	-

Further details of these schemes are set out under "Share options" on page 10 and in note 19 to the accounts.

Mr Russell held options to acquire 7,988,981 ordinary shares at an exercise price being 3,000,000 at 1 pence and 4,988,981 at 0.93 pence. These options lapsed when he ceased to be a director.

Share price

The market price of the Company's shares at the end of the financial year was 0.75p and the range of market prices during the year was between 0.75p and 3.83p.

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Substantial shareholdings

At 30 March 2001 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

On the 18 September 2000 a Remuneration Committee was established by the Board. The committee consists of Mr V K Kiam, Mr F A Rastegar and Mr J R Clark and is chaired by Mr J R Clark.

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, permanent illness, critical illness and life insurance, long term rewards in the form of share options, performance related to earnings per share.

Short term rewards

Salary

Salaries for Executive Directors are reviewed annually on 1 January each year by the Remuneration Committee. 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 Remuneration Committee 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. Additionally a consultation process has commenced with all staff members with respect to implementation of a stakeholder pension scheme.

Bonuses

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

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Directors' insurance

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

Other benefits

The Group provides health, permanent illness, critical illness and life insurance for directors and management 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. The longest notice period for Non-Executive Directors is twelve months.

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

	Salary and fees £'000	Compensation for loss of office £'000	Pension contributions £'000	2000 Total £'000	1999 Total £'000	Full Year 1999 Total £'000
Executive:						
J M Graham	98	-	9	107	94	128
P A Hulme	98	-	9	107	86	118
S J Russell	124	59	16	199	99	138
Non-Executive:						
V K Kiam	27	-	-	27	27	27
F A Rastegar	45	-	-	45	46	46
J R Clark	15	-	-	15	-	-
G H Moore	-	-	-	-	48	48
	407	59	34	500	400	505

The remuneration shown in the 1999 report and accounts reflected payments made since appointment dates if appointed during 1999. An additional column has been included to reflect the full year's comparison.

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 49. The standard terms of trading with the majority of the Group's suppliers is 45 days.

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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 2000. 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 Directors confirm that Ronson plc supports the Combined Code on Corporate Governance ("the code") issued by the London Stock Exchange and is committed to high standards of corporate governance.

Directors

The Directors consider it is essential that the Group is led and controlled by an effective Board. The Board meets regularly and receives and reviews information sufficient to ensure it can discharge its duties. During the year the Board comprised three executive directors and three non-executive directors. There is a formal schedule of matters specifically reserved for the Board's decision.

The Board is responsible for the overall direction and strategy of the Group chaired by Mr Kiam. Mr Rastegar fulfilled the position of Non-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. The Board considered Mr Moore and Mr Clark fulfilled the role of independent non-executive during the year.

The Board performed the duties normally carried out by the Audit, Nomination and Remuneration Committees until 18 September 2000 when the following committees were formed by the board of directors.

- i. Audit Committee consisting of Mr Kiam, Mr Clark and the executive finance director Mrs Hulme, chaired by Mr Clark.
- ii. Nomination Committee consisting of Mr Kiam and Mr Clark chaired by Mr Kiam.
- iii. Remuneration Committee consisting of Mr Kiam, Mr Rastegar and Mr Clark, chaired by Mr Clark

The Board delegated such responsibilities to the appropriate committees in accordance with the code.

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.

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Internal control and risk management

The Board is responsible for ensuring the Group maintains a sound system of internal controls, including suitable monitoring procedures and for the periodic review of the effectiveness of the controls. The systems in place are designed to cover financial, operational and compliance controls as well as risk management. The directors annually review the effectiveness of the Group's system of internal controls and implement changes as necessary if weaknesses become apparent.

The system of internal controls maintained by the Group is designed to manage risk and achieve business objectives and such a system can only provide reasonable, and not absolute assurance against misstatement or loss.

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 annually.

The company previously adopted the transitional approach for the implementation of the guidance, Internal Control: Guidance for Directors on the combined code. The Board is unable to state that the necessary process for full compliance with the guidance has been in place for the first nine months of the year as this period was required to put into place the procedures which the Board had identified and agreed should be established.

During the past three years the Group has been transformed through a major restructuring and downsizing program. The management team are 'hands on' being involved in all aspects of the business. The Group operates on a best practice basis in all aspects of the business and a culture of simplicity and clarity is promoted. The Board promotes an open management style and has during the past year created processes of positive and negative risk assessment by continual appraisal and monitoring of business activities. The Board regularly reviews the processes in place and is satisfied that they comply with the guidance.

The processes now in place include timely reporting from management, management review meetings, Board consultations and annual consideration and assessment of the Group's internal controls. Reports derived from these processes are included within the Board papers and are reviewed monthly by the Board. Where appropriate specific aspects of the Groups affairs are dealt with by the appropriate sub-committee or combination of Board members who have specific responsibility for those affairs.

Compliance with code provisions

During the year under review the Group has complied with the code provisions set out in Section 1 of the combined code save for the following:

- A.2.1: No senior independent director has been identified in the annual report.
- B.2.1: There was no remuneration committee throughout the period to 18 September 2000.
- D.3.1: There was no audit committee throughout the period to 18 September 2000. The current audit committee currently includes the executive finance director, due to the size of the Board, and therefore does not currently comply with the provision of the code.

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



P A Hulme FCCA
Company Secretary
30 March 2001

Report by the Auditors
to the Shareholders of Ronson plc

We have audited the financial statements on pages 14 to 29.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 11 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, 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 the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 11 and 12 reflect the company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company'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.

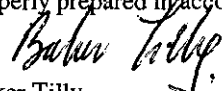
Basis of opinion

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 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 Group and Company's affairs at 31 December 2000 and of the Group loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


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

30 March 2001

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Consolidated Profit and Loss Account for the year ended 31 December 2000

	Notes	2000 £'000	1999 As restated £'000
Turnover	2	7,246	10,426
Cost of sales		(4,938)	(6,182)
Gross Profit		2,308	4,244
Distribution costs		(565)	(1,176)
Administrative expenses	2	(3,420)	(2,481)
Operating (Loss)/profit		(1,677)	587
Interest receivable	5	32	43
Interest payable	5	(9)	(14)
(Loss)/profit on Ordinary Activities before Taxation	6	(1,654)	616
Tax on loss on ordinary activities	7	(4)	(196)
(Loss)/profit on Ordinary Activities after Taxation Retained		(1,658)	420
Basic (loss)/earnings per ordinary share	10	(0.16p)	0.04p
Fully diluted (loss)/earnings per ordinary share	10	(0.16p)	0.04p

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 2000 and 1999 relate to continuing activities.

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Balance Sheets at 31 December 2000

	Note	Group		Company	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fixed assets					
Intangible assets	11	102	-	-	-
Tangible assets	12	530	475	-	-
Investments	13	-	-	1,600	2,923
		<u>632</u>	<u>475</u>	<u>1,600</u>	<u>2,923</u>
Current assets					
Stocks	14	1,750	2,157	-	-
Debtors	15	1,137	1,683	-	-
Cash at bank and in hand		23	1,206	-	-
		<u>2,910</u>	<u>5,046</u>	<u>-</u>	<u>-</u>
Creditors:					
Amounts falling due within one year	16	(2,494)	(2,761)	(406)	(402)
Net current assets/(liabilities)		<u>416</u>	<u>2,285</u>	<u>(406)</u>	<u>(402)</u>
Total assets less current liabilities		<u>1,048</u>	<u>2,760</u>	<u>1,194</u>	<u>2,521</u>
Creditors:					
Amounts falling due after more than one year	17	-	(54)	-	(54)
		<u>1,048</u>	<u>2,706</u>	<u>1,194</u>	<u>2,467</u>
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	(25,181)	(23,523)	(38,666)	(37,393)
Equity shareholders' funds	21	<u>1,048</u>	<u>2,706</u>	<u>1,194</u>	<u>2,467</u>

The financial statements were approved by the Board of Directors on 30 March 2001 and were signed on its behalf by:



P A Hulme FCCA
Director

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Consolidated Cash Flow Statement
for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Cash flow from operating activities	22	<u>(1,207)</u>	<u>(130)</u>
Returns on investments and servicing of finance			
Interest received		32	43
Interest paid		<u>(9)</u>	<u>(14)</u>
Net cash inflow from returns on investment and servicing of finance		<u>23</u>	<u>29</u>
Taxation			
UK corporation tax received		<u>123</u>	<u>234</u>
Capital expenditure			
Purchase of tangible fixed assets		(180)	(138)
Proceeds from disposal of tangible fixed assets		<u>-</u>	<u>76</u>
Net cash outflow from capital expenditure		<u>(180)</u>	<u>(62)</u>
Acquisitions and disposals			
Proceeds from sale of business	25	<u>-</u>	<u>136</u>
Cash (outflow)/ inflow before financing		<u>(1,241)</u>	<u>207</u>
Financing			
Repayment of principal under finance leases		<u>-</u>	<u>(86)</u>
Net cash (outflow)/inflow from financing		<u>-</u>	<u>(86)</u>
(Decrease)/increase in cash in the year	23	<u>(1,241)</u>	<u>121</u>

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Notes to the Financial Statements for the year ended 31 December 2000

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 2000. 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 rates used for this purpose are:

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

Investments

Investments are stated at cost less provision for impairment.

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Notes to the Financial Statements for the year ended 31 December 2000

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.

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.

Research and Development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and other development costs are written off as incurred.

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.

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Notes to the Financial Statements for the year ended 31 December 2000

2 Turnover

Analysis by geographical area

The Group's turnover and result were generated from its operations in the United Kingdom and Poland. £6,897,000 of turnover was generated in the United Kingdom, £349,000 in Poland. The United Kingdom operation generated a loss of £1,665,000 whilst the Polish operation generated a profit of £7,000. £377,000 of the Group's net assets are held in the United Kingdom, £39,000 in Poland.

A geographical analysis of turnover by destination is given below:

	2000	1999
	£'000	As restated £'000
United Kingdom	4,404	6,005
Rest of Europe	2,072	2,889
Asia	524	670
Rest of the World	246	862
	<u>7,246</u>	<u>10,426</u>

Turnover and administrative expenses in 1999 have been restated to include license fees and distribution income previously included in administrative expenses. Accordingly turnover and administrative expenses have been increased by £226,000 for the year ended 31 December 1999.

3 Directors' emoluments

	2000	1999
	£'000	£'000
Fees	87	79
Emoluments for management services (including allowances)	320	311
Pension contributions	34	10
Compensation for loss of office	59	-
	<u>500</u>	<u>400</u>
	2000	1999
	£'000	£'000
Highest paid director		
Emoluments	183	94
Pension	16	5
	<u>199</u>	<u>99</u>

The company makes money purchase pension contributions on behalf of 3 directors (1999: 2).

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Notes to the Financial Statements for the year ended 31 December 2000

4 Employee information

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

	2000 Number	1999 Number
By activity		
Production/manufacturing	-	7
Warehouse	7	10
Selling and management	14	19
Administration	25	40
	<u>46</u>	<u>76</u>
	2000 £'000	1999 £'000
Staff costs		
Wages and salaries	1,143	1,444
Social security costs	148	154
Other pension costs	42	43
	<u>1,333</u>	<u>1,641</u>

5 Interest receivable and payable

	2000 £'000	1999 £'000
Interest receivable	<u>32</u>	<u>43</u>
Interest payable and similar charges:		
On bank loans and overdrafts	(9)	-
On HP/finance leases	-	(11)
Other interest	-	(3)
	<u>(9)</u>	<u>(14)</u>

6 (Loss)/profit on ordinary activities before taxation

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
- Tangible owned fixed assets	125	176
Profit on disposal of tangible fixed assets	-	(8)
Auditor's remuneration (including expenses) for:		
- Audit	23	29
- Other services	22	28
Research and development expenditure	262	-
Hire of plant and machinery - operating leases	99	36
Hire of other assets - operating leases	<u>83</u>	<u>112</u>

The audit fee includes £8,000 (1999: £15,000) in respect of the Company.

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Notes to the Financial Statements for the year ended 31 December 2000

7 Tax on ordinary activities

	2000 £'000	1999 £'000
Corporation tax current year	4	-
ACT not currently recoverable	-	196
	<u>4</u>	<u>196</u>

It is estimated that the Group has further taxable losses of £13.5m carried forward and available for offset against future trading profits.

8 (Loss)/profit 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 loss for the financial year was £1,273,000 (1999: £61,000).

9 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 2000 (1999: £Nil).

10 Earnings per ordinary share

Loss per ordinary share has been calculated by reference to 1,065,197,407 weighted average ordinary shares in issue (1999: 1,065,197,407) and losses of £1,658,000 (1999: profit of £420,000).

Fully diluted loss per ordinary share is based upon identical figures as the effect of the issues of ordinary shares in relation to options and warrants would be non-dilutive.

Fully diluted earnings per ordinary share for 1999 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.

11 Intangible fixed assets

Group

	Development Costs £'000	Total £'000
Cost and net book value		
Additions	102	102
At 31 December 2000	<u>102</u>	<u>102</u>

Development costs on new products are capitalised and carried forward, since these new products are not yet in commercial production. The costs will be amortised over two years, commencing with commercial production, which is expected to be in 2001.

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Notes to the Financial Statements for the year ended 31 December 2000

12 Tangible fixed assets

Group

	Short leasehold land and buildings £'000	Motor vehicles, plant and machinery £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2000	45	82	910	1,037
Additions	-	-	180	180
Transferred	-	(82)	82	-
At 31 December 2000	<u>45</u>	<u>-</u>	<u>1,172</u>	<u>1,217</u>
Depreciation				
At 1 January 2000	24	77	461	562
Charge for year	3	1	121	125
Transferred	-	(78)	78	-
At 31 December 2000	<u>27</u>	<u>-</u>	<u>660</u>	<u>687</u>
Net book value				
At 31 December 2000	<u>18</u>	<u>-</u>	<u>512</u>	<u>530</u>
At 31 December 1999	<u>21</u>	<u>5</u>	<u>449</u>	<u>475</u>

The book amounts for motor vehicles include the following amounts in respect of assets held under finance leases: cost £nil (1999: £16,500), depreciation £nil (1999: £10,313).

Company

The net book value of tangible fixed assets is nil for 2000 and 1999.

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Notes to the Financial Statements for the year ended 31 December 2000

13 Investments

Company

	2000	1999
	£'000	£'000
At cost less provision for impairment		
At 1 January 2000	2,923	2,923
Provision against carrying values	(1,323)	-
Net book value		
At 31 December 2000	1,600	2,923

The historical cost of investments is £28,651,000 (1999: £28,651,000).

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

The details of the Company's principal subsidiary undertakings 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 5 pence shares
Ronson Polska SP. Z.o.o.	Distribution of lighters	Ordinary 100 zlotty shares

Ronson International Limited 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.

Ronson Polska SP. Z.o.o. is incorporated in and operates in Poland and is a wholly owned subsidiary included in the consolidated financial statements. The shares in Ronson Polska SP. Z.o.o. are owned by Ronson International Limited.

14 Stocks

Group

	2000	1999
	£'000	£'000
Finished goods and goods for resale	1,750	2,157
	1,750	2,157

15 Debtors

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,014	1,344	-	-
Corporation tax recoverable	-	123	-	-
Other debtors	24	71	-	-
Prepayments and accrued income	99	145	-	-
	1,137	1,683	-	-

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Notes to the Financial Statements for the year ended 31 December 2000

16 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank overdrafts	58	-	-	-
Other loans	5	-	-	-
Trade creditors	926	1,397	-	-
Amounts owed to group undertakings	-	-	276	77
Other taxation and social security	564	461	-	-
Other creditors	115	152	111	150
Accruals and deferred income	826	751	19	175
	<u>2,494</u>	<u>2,761</u>	<u>406</u>	<u>402</u>

The bank overdraft is secured by a fixed and floating charge over all current and future assets of the company.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Other creditors repayable by instalments:				
Between 1 and 2 years	-	54	-	54

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.

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Notes to the Financial Statements for the year ended 31 December 2000

19 Called up share capital

	2000 £'000	1999 £'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
	<u>20,000</u>	<u>20,000</u>
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
	<u>4,578</u>	<u>4,578</u>

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 2000:

Date options granted	Option price per share	Period exercisable	Number of shares
17 March 1999	1p	17 March 2002 – 16 March 2012	6,000,000
17 March 1999	0.93p	17 March 2002 – 16 March 2012	9,967,962
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 three 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 2000 was 51,693,403 (1999: 70,491,005)

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Notes to the Financial Statements for the year ended 31 December 2000

20 Share premium account and reserves

Group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2000	21,651	(23,523)
Loss for the year	-	(1,658)
At 31 December 2000	21,651	(25,181)

Company

	Share premium account £'000	Special reserve £'000	Profit and loss account £'000
At 1 January 2000	21,651	13,631	(37,393)
Loss for the year	-	-	(1,273)
At 31 December 2000	21,651	13,631	(38,666)

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

	2000 £'000	1999 £'000
(Loss)/profit for the year	(1,658)	420
Net (reduction)/increase in shareholders' funds	(1,658)	420
Opening shareholders' funds	2,706	2,286
Closing shareholders' funds	1,048	2,706

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

	2000 £'000	1999 £'000
Operating (loss)/profit	(1,677)	587
Depreciation of tangible fixed assets	125	176
Profit on disposal of tangible fixed assets	-	(8)
Decrease in stocks	407	920
Decrease in debtors	321	416
Decrease in creditors	(383)	(2,221)
Net cash outflow from operating activities	(1,207)	(130)

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Notes to the Financial Statements for the year ended 31 December 2000

23 Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
(Decrease)/increase in cash in the year	(1,241)	121
Cash flow from movement in debt	-	97
Change in net cash resulting from cashflows	<u>(1,241)</u>	<u>218</u>
Other non-cash items:		
Finance leases	<u>-</u>	<u>(11)</u>
Movement in net debt funds in the period	(1,241)	207
Net funds at 1 January	1,206	999
Net (debt)/funds at 31 December	<u>(35)</u>	<u>1,206</u>

24 Analysis of net funds/(debts)

	At 1 January 2000 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 2000 £'000
Cash at bank and in hand	1,206	(1,183)	-	23
Overdrafts	-	(58)	-	(58)
	<u>1,206</u>	<u>(1,241)</u>	<u>-</u>	<u>(35)</u>

25 Sale of business

	2000 £'000	1999 £'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 2000.

27 Contingent liabilities

Group undertakings have provided guarantees to HM Customs and Excise totalling £200,000 (1999: £200,000).

The Company has provided unlimited guarantees for the borrowing of its subsidiary undertakings. As at 31 December 2000, subsidiary undertakings had borrowings of £150,622 which were subject to this guarantee (1999: borrowings of £79,633).

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Notes to the Financial Statements for the year ended 31 December 2000

28 Financial commitments

At 31 December 2000 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Expiring between one and five years	83	73	80	45
	83	73	80	45

29 Related party transactions

One of the Company's non-executive directors, Mr Kiam, controls a company known as RPI Corp. a Delaware Corporation.

In the year, purchases of £911 (1999: £1,408) were made relating to consultancy services from RPI Corp.. At 31 December 2000, £116 (1999: £202) was included in trade creditors in respect of this company. All dealings regarding these services were conducted on an arms length basis.

One of the Company's non-executive directors, Mr Rastegar, controls a company known as Berkeley Capital Partners LLC.

In the year, purchases of £146,757 (1999: £Nil) were made relating to product development and e-business initiatives. At 31 December 2000 £Nil (1999: £Nil) 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.

At 31 December 2000 the interest rate and currency profile of the Group's financial assets and liabilities were as follows:

	Interest free £'000	Floating interest rates £'000	Fixed interest rates £'000	Total £'000
Financial assets				
Cash and bank deposits	-	-	-	-
denominated in sterling	-	-	-	-
denominated in US dollars	84	-	-	84
denominated in Euros	3	-	-	3
denominated in Yen	7	-	-	7
	94	-	-	94

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Notes to the Financial Statements
for the year ended 31 December 2000

	Interest free £'000	Floating interest rates £'000	Fixed interest rates £'000	Total £'000
Financial liabilities				
Cash and bank deposits denominated in sterling	-	151	-	151
	-	151	-	151

Floating interest rate borrowings incur interest at 1.5% above bank base rates.

At 31 December 1999 the comparative interest rate and currency profile for the Group's financial assets were 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 yielded interest at 2.161%.

Floating interest rate deposits yielded interest at 1%.