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Ronson Limited
(formerly Ronson PLC)

Financial statements

For the year ended
31 December 2007

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Company no 1907889

Company registration number	1907889
Registered office	Station Works Station Road LONG BUCKBY Northants NN6 6ND
Directors	Bardia Panahy Ronald Clucas (resigned 15 November 2007)
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Kettering Parkway Kettering Northants NN15 6XR

For the year ended 31 December 2007

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The director presents his report together with the audited financial statements for the year ended 31 December 2007

Principal activity

The group is principally engaged in the sourcing, marketing, distribution and licensing of branded goods

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements and are discussed further in the business review below

The group has not paid any dividends during the year

Business and review

The company is the holding company for Ronson International Limited and Ronson Incorporated Limited There was a loss for the year after taxation amounting to £456,000 (2006 £751,000)

Financial performance

Financial performance for the year has been analysed as follows

	Year to 31 December 2007 £'000	Year to 31 December 2006 £'000	Change £'000	%
Turnover	**4,675**	4,536	139	3 1
Gross profit	**1,590**	1,463	127	8 7
Other operating charges	**1,894**	2,116	(222)	(10 5)
Dividends received		-		
Loss before tax	**(456)**	(751)	295	39 3

Strategy

The strategy of the group remains to develop the brands supported by the subsidiary operating companies and seek to exploit growth opportunities when they arise

Turnover

Turnover in the UK has increased by £697k (24%) as a result of further consolidation of our position with major UK retailers Turnover in the rest of Europe has declined by £555k (63 %), Europe remains a priority market for the group Our Polish subsidiary has been restructured to effectively service the Polish market and operate profitably as a unit of the group

Expansion into Europe is currently managed by the UK

Gross profit

The gross profit percentage has increased from 32 2% in 2006 to 34% in 2007, coupled with a reduction in administration costs However, due to increases in distribution costs and interest, the company still reported a loss

Operating costs

The group has continued to review its operating costs with a view to minimizing expenses

Research and development

The company is continuing its policy of developing the existing product range to meet market requirements and researching new products that will contribute to the future expansion and diversification of the business

Summary of key performance indicators

Sales, stock, debtors, creditors and cash on a weekly basis are monitored and compared to annual budgets and revised forecasts as appropriate

Future outlook

The directors are concerned that 2008 will also be a difficult year for the group The retail markets in which we operate remain extremely competitive and further cost price pressures may erode gross profit The £/US$ exchange rate may also increase costs

The group will continue to explore all options to improve both funding adequacy and a return to profitability

Principal risk and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks

The director is of the opinion that a thorough risk management process is adopted that involves the formal review of all the risks Where possible, processes are in place to monitor and mitigate such risks

High proportion of fixed costs and variable revenues

The group will continue to review the overhead base required by the operating companies Significant reductions have been made in the level of overheads since the group was restructured in 2004 There is a formal expenditure review process which takes account of sales and margin forecasts with only essential expenditure incurred

Competition

The group faces competition in all of its product areas and markets These range from large established and reputable brands to the cheap commodity products We benefit from being one of the leading brands in our sector for lighter and lighter fluid

Brand

As the oldest lighter company and the inventor of the modern lighter, the Ronson brand is recognisable and respected Ronson has always been renowned for the design and quality of their lighters and are sought after by collectors worldwide, including the Varaflame launched in 1957 and the original plastic-based Comet in 1965

Ronson's breakthroughs include the invention of safety matches, butane refillable lighters, butane cans and the adjustable flame Ronson was also the market leader in Child Resistant lighters with the introduction of the Slyda in 2001, years ahead of the 2007 legislation

During the 1960's Ronson was the seventh most recognised brand worldwide The Ronson brand continues to be widely recognised around the world

Product obsolescence

Many of our products are well established and, given the significant costs of developing new styles and tooling, there tends to be limited obsolescence risk in our key product areas Some gift products are more susceptible to changing fashions and this is the main risk of obsolescence

Fluctuation in exchange rates

Most of our purchases are US$ denominated

Financial risk management objectives and policies

The group uses various financial instruments including loans, cash, preference shares and various items such as trade debtors and trade creditors that arise from its operations The main purpose of these financial instruments is to raise finance for the group's operations

The existence of these financial instruments exposes the group to a number of financial risks The main risks arising from the group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk The directors review and agree policies for managing each of these risks These policies have remained unchanged from previous years

Qualifying third party indemnity provision

During the financial year, a qualifying third party indemnity provision for the benefit of the directors was in force

Post balance sheet events

The director has considered the funding requirement for the day-to-day working capital of the group and the further development of the business

Cash flow and profitability projections for a rolling 12-month period are prepared, updated and regularly reviewed by the management team The key assumptions are sales forecasts (both quantum and timing) by product and customer, product line gross margin and the timing of receipts from customers and the timing of payments to creditors The reliability of both sales and gross margin assumptions are particularly susceptible to market pressures

The first six months of 2008 have shown a return of profitability

The director has negotiated the loans to remain in place and the redemption of the preference shares that were redeemable in 2008, will be postponed for at least twelve months

The director is satisfied that the group has sufficient resources to meet its working capital needs over the next 12 months and that the group remains a going concern Accordingly, the financial statements have been prepared on the going concern basis

Directors

Bardia Panahy is the sole director of the company He holds no shares in the company or its parent undertaking

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of director's responsibilities (continued)

In so far as the director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that they ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

B Pahahy
Director

19 September 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF RONSON LIMITED

We have audited the group and parent company financial statements of Ronson Limited for the year ended 31 December 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 27 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of director and auditor

The director's responsibilities for preparing the Director's Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Director's Report is consistent with the financial statements

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We read the Director's Report 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 Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF RONSON LIMITED

Going concern

The validity of preparing the financial statements on the going concern basis is dependent upon the company being able to meet its liabilities as they fall due As explained in note 26 this is in turn dependent on the group meeting its sales forecasts, achieving projected gross margins and the payment of certain liabilities being deferred

The financial statements assume that forecasts are met and that it is therefore appropriate to prepare the financial statements on a going concern basis

Our opinion is not qualified in this respect

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of its loss for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Director's Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Kettering
19 September 2008

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

The group's accounting policies are unchanged compared with the prior year

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all material subsidiary undertakings, together with the group's share of the net assets and results of material associated undertakings and joint ventures The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies Acquisitions are accounted for under the acquisition method The results of companies acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 230 of the Companies Act 1985

Turnover

Turnover is the revenue arising from the sales of goods and services It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms

Revenue from services provided by the group is recognised when the group has performed its obligations and in exchange obtained the right to consideration

Intangible assets

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition Goodwill arising on acquisition was written off against reserves

Any goodwill arising from future acquisitions will be capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years Goodwill will be reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable

Research and development

Research and development expenditure is charged to profits in the period in which it is incurred Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects All other development costs are written off in the year of expenditure

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives The periods generally applicable are:

Equipment, fixtures and fittings	15% - 33% per annum

Investments

Investments are included at cost less provision for impairment

The group as lessee

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are treated as operating leases Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution

Current tax

The current tax charge is based on the result for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except where the transaction is to be settled using a contracted rate, in which case that rate is used Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date

Foreign exchange gains and losses are credited or charged to the profit and loss account as they arise

Group accounts

The financial statements of foreign subsidiaries and the related goodwill are translated at the closing exchange rate at the balance sheet date The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves through the statement of total recognised gains and losses

Retirement benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period The group accounts for its contributions to the group pension schemes as a defined contribution scheme

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Ronson Limited (formerly Ronson PLC)
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	1	**4,675**	4,536
Cost of sales		**(3,085)**	(3,073)
Gross profit		**1,590**	1,463
Other operating income and charges	2	**(1,894)**	(2,116)
Operating loss		**(304)**	(653)
Net interest	3	**(152)**	(98)
Loss on ordinary activities before taxation	1	**(456)**	(751)
Tax on loss on ordinary activities	5	**-**	-
Loss for the financial year transferred from reserves	17	**(456)**	(751)

All activities are classed as continuing

There were no recognised gains or losses other than the loss for the financial year

The accompanying accounting policies and notes form an integral part of these financial statements

Ronson Limited (formerly Ronson PLC)
BALANCE SHEET AT 31 DECEMBER 2007

	Note	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Fixed assets					
Intangible assets	8	-	-	-	-
Tangible assets	9	81	144	-	-
Investments	10	25	25	2,350	2,350
		106	169	2,350	2,350
Current assets					
Stocks	11	1,054	1,219	-	-
Debtors	12	1,011	1,014	-	-
Cash at bank and in hand		67	214	-	2
		2,132	2,447	-	2
Creditors amounts falling due within one year	13	(2,169)	(1,992)	(598)	(347)
Net current assets/(liabilities)		(37)	455	(598)	(345)
Total assets less current liabilities		69	624	1,752	2,005
Creditors amounts due after more than one year	14	(1,520)	(1,635)	(1,420)	(1,420)
		(1,451)	(1,011)	332	585
Capital and reserves					
Called up share capital	15	479	479	479	479
Share premium account	16	1,989	1,989	1,989	1,989
Profit and loss account	16	(3,919)	(3,479)	(2,136)	(1,883)
Shareholders' funds	17	(1,451)	(1,011)	332	585

The financial statements were approved and authorised for issue by the Board of Directors on 19/9/08

B Panahy
Director

The accompanying accounting policies and notes form an integral part of these financial statements

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net cash outflow from operating activities	18	(75)	(821)
Returns on investments and servicing of finance			
Interest received		61	-
Interest paid		-	(10)
Net cash inflow/(outflow) from returns on investments and servicing of finance		61	(10)
Taxation			
Overseas corporation tax paid		-	-
		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6)	(3)
Net cash outflow from capital expenditure and financial investment		(6)	(3)
Cash outflow before financing		(20)	(834)
Financing			
(Payments)/receipts from borrowings		(96)	1,220
Net cash (outflow)/inflow from financing		(96)	1,220
(Decrease)/increase in cash in the year	19	(116)	386

The accompanying accounting policies and notes form an integral part of these financial statements

1 Turnover and loss on ordinary activities before taxation

The group's turnover and result were generated from its operations in the United Kingdom and Poland £3,950k of turnover was generated in the United Kingdom and £725k in Poland The United Kingdom operation generated a loss on ordinary activities before tax of £426k before inter-group items whilst the Poland operation generated a loss of £83k £1,477k of the group's net liabilities are held in the United Kingdom and £26k of net assets are held in Poland

A geographical analysis of turnover by destination is given below

	2007 £'000	2006 £'000
United Kingdom	3,648	2 951
Rest of Europe	941	1,496
Rest of the World	86	89
	4,675	4,536

The loss on ordinary activities before taxation is stated after

	2007 £'000	2006 £'000
Depreciation		
Tangible fixed assets, owned	69	75
Auditors' remuneration		
Audit services	39	30
Non-audit services	7	12
Research and development expenditure	-	43

The audit fee includes £5,000 (2006 £4,700) in respect of the company

2 Other operating expenses

	2007 £'000	2006 £'000
Distribution costs	675	363
Administration expenses	1,219	1,753
	1,894	2,116

3 Net interest

	2007 £'000	2006 £'000
Interest payable and similar charges		
On bank loans and overdrafts	62	(10)
Finance charge on shares classed as financial liabilities	(214)	(88)
	(152)	(98)

4 Employees

Staff costs during the year were as follows

	2007 £'000	2006 £'000
Wages and salaries	396	364
Social security costs	42	44
Other pension costs	9	7
	447	415

The average monthly number of employees (including Executive Directors) employed by the group during the year was 12 (2006 13)

Remuneration in respect of directors was as follows

	2007 £'000	2006 £'000
Fees	37	25
Emoluments for management services (including allowances)	-	2
	37	27

During the year no directors (2006 no directors) participated in money purchase pension schemes

5 Tax on loss on ordinary activities

The tax charge is based on the loss for the year and represents

	2007 £'000	2006 £'000
UK corporation tax on loss for the year	-	-
Overseas taxation	-	-
Current tax charge for the year	-	-

Factors affecting the tax charge for the year
The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained as follows

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(456)	(751)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(137)	(225)
Effect of		
Expenses not deductible for tax purposes	68	14
Differences between capital allowances and depreciation	(12)	(19)
Other tax adjustments	(15)	57
Tax losses arising/(utilisation) of tax losses	61	173
Foreign tax	35	-
Current tax charge for the year	-	-

It is estimated that the group has taxable losses of approximately £17m carried forward and available for offset against future trading profits subject to HM Revenue and Customs agreement

6 Dividends

Dividends on shares classed as financial liabilities

	2007 £	2006 £
Accrued at the year end		
Dividends on 8% convertible cumulative redeemable preference shares	214	88

7 Loss for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements The loss for the financial year of the company was £253k (2006 £2,364k)

8 Intangible fixed assets

The group

	Total £'000
Cost	
At 1 January 2007 and at 31 December 2007	210
Depreciation	
At 1 January 2007 and 31 December 2007	210
Net book value at 31 December 2007 and 31 December 2006	-

The company

There are no intangible fixed assets held by the company

9 Tangible fixed assets

The group

	Equipment, fixtures and fittings £'000
Cost	
At 1 January 2007	937
Additions	6
Disposals	-
At 31 December 2007	943
Depreciation	
At 1 January 2007	793
Charge for year	69
On disposals	-
At 31 December 2007	862
Net book value at 31 December 2007	81
Net book value at 31 December 2006	144

The company

The net book value of tangible fixed assets is £Nil (2006 £Nil)

10 Fixed asset investments

The group

	£'000
Cost and net book amount	
At 1 January 2007 and 31 December 2007	25

The company

	2007 £'000	2006 £'000
At cost less provision for impairment		
At 1 January 2007 and 31 December 2007	2,350	2,350

The historical cost of investments is £28,651,000 (2006 £28,651,000)

The company's investments consist of interests in group undertakings

The details of the company's principal trading 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 5p shares
Ronson Polska SP z o o	Distribution of lighters	Ordinary 100 Zlotty shares
Ronson GmbH	Dormant	Ordinary 1 Euro shares
EMHOL Limited	Dormant	Ordinary £1 shares
Ronson Incorporated Limited	Dormant	Ordinary £1 shares
Other undertakings		
Aerosol Limited	Manufacturing	Ordinary £1 shares

Ronson International Limited operating in the United Kingdom and is incorporated in England and Wales and is a wholly owned subsidiary included in the consolidated financial statements The shares in Ronson International Limited are wholly owned by Ronson Limited

Ronson Polska z o o is incorporated and operates in Poland and is a wholly owned subsidiary included in the consolidated financial statements Ronson GmbH is incorporated in Germany but no longer trades and is in the process of being wound up and is also a wholly owned subsidiary included in the consolidated financial statements The shares in both companies are wholly owned by Ronson International Limited

Ronson Incorporated Limited is incorporated in England and Wales and is a wholly owned subsidiary included in the consolidated financial statements The shares in Ronson Incorporated Limited are wholly owned by Ronson Limited

Fixed asset investments (continued)

EMHOL Limited is incorporated in England and Wales and has been excluded from the consolidated financial statements as it is not considered to be material The shares in EMHOL Limited are nominally owned by Ronson International Limited

Aerosol Limited operates in the United Kingdom and is incorporated in England and Wales 33% of the shares in the company are owned by EMHOL Limited The company has been excluded from the consolidated financial statements as its results are considered to be immaterial to the group

11 Stocks

The group

	2007 £'000	2006 £'000
Finished goods and goods for resale	1,054	1,219

The company
There are no stocks held by the company

12 Debtors

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year				
Trade debtors	921	929	-	-
Amounts due from group undertakings	-	-	-	-
Other debtors	18	33	-	-
Prepayments and accrued income	72	52	-	-
	1,011	1,014	-	-

Included within trade debtors are factored debts with a value of £842,459 (2006 £829,112)

13 Creditors amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdrafts	6	37	-	-
Other loans	609	590	80	120
Trade creditors	729	806	-	-
Amounts owed to group undertakings	80	120	135	-
Other taxation and social security	19	12	-	-
Other creditors	3	39	-	58
Accruals and deferred income	723	388	383	169
	2,169	1,992	598	347

The bank overdraft is secured by way of a fixed and floating charge over the assets of the group

Included in other loans is £608,869 secured on factored debts

14 Creditors amounts falling due after more than one year

The group and the company

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Other loans	**100**	215	**-**	-
Shares classed as financial liabilities	**1,420**	1,420	**1,420**	1,420
	1,520	1,635	**1,420**	1,420
Shares classed as financial liabilities 8% convertible cumulative redeemable preference shares of £10,000 each	**1,420**	1,420	**1,420**	1,420

15 Share capital

	2007 £'000	2006 £'000
Authorised		
1,314,611 ordinary shares of £10 each	**13,146**	13,146
47,387,817 deferred shares of 4 99p each	**2,365**	2,365
183,877,060 'A' deferred shares of 0 01p each	**18**	18
200 8% convertible cumulative redeemable preference shares of £10,000 each	**2,000**	2,000
	17,529	17,529
Allotted, called up and fully paid		
46,108 ordinary shares of £10 each	**461**	461
183,877,060 'A' deferred shares of 0 01p each	**18**	18
142 (2006 142) 8% convertible cumulative redeemable preference shares of £10,000 each	**1,420**	1,420
	1,899	1,899
Equity shares		
46,108 ordinary shares of £10 each	**461**	461
183,877,060 'A' deferred shares of 0 01p each	**18**	18
	479	479
Shares classed as financial liabilities 142 (2006 142) 8% convertible cumulative redeemable preference shares of £10,000 each	**1,420**	1,420

The 'A' deferred shares and deferred shares are non-voting, do not rank for dividend payments and will receive a repayment of nominal amounts paid up on such shares in the event of a winding-up after repayment of capital plus £10m per share paid up on the ordinary and the convertible shares

Share capital (continued)

The holders of the 8% convertible cumulative redeemable preference shares are entitled to be paid a fixed cumulative preferential dividend at the rate of 8% payable annually in arrears In the event of the preference dividend not being paid an additional sum of 2% per annum of the outstanding sum becomes due There is no further right to participate in the company's profits On a return of capital the holders of these shares are entitled, in preference to other payments to shareholders, arrears of preferential dividend, repayment of capital and a premium of 7% of nominal value Failure by the company to redeem the shares on the due dates (being one third on 15 September 2008, 2009 and 2010) will entitle the shareholder to convert the sums due into fully paid ordinary shares at the rate of £37 50 per ordinary share The holders of the preference shares are not entitled to attend or vote at a general meeting unless dividend payments are six months in arrears or the meeting is to consider a resolution to wind up the company

16 Share premium account and reserves

The group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2007	1,989	(3,479)
Loss for the year	-	(456)
Exchange differences	-	16
At 31 December 2007	**1,989**	**(3,919)**

The company

	Share premium account £'000	Profit and loss account £'000
At 1 January 2007	1,989	(1,883)
Loss for the year	-	(253)
At 31 December 2007	**1,989**	**(2,136)**

17 Reconciliation of movements in shareholders' funds

The group

	2007 £'000	2006 £'000
Loss for the year	(456)	(751)
Exchange differences	16	(1)
Net decrease in shareholders' funds	(440)	(752)
Opening shareholders' funds	(1,011)	(259)
Closing shareholders' funds	(1,451)	(1,011)

The company

	2007 £'000	2006 £'000
Loss for the year and net decrease in shareholder funds	(253)	(2,364)
Opening shareholder funds	585	2,949
	332	585

18 Net cash outflow from operating activities

	2007 £'000	2006 £'000
Operating loss	(304)	(653)
Depreciation of tangible fixed assets	69	75
Amortisation of intangible assets	-	-
Decrease/(increase) in stocks	165	(280)
Decrease/(increase) in debtors	3	(109)
(Decrease)/increase in creditors	(24)	147
Foreign exchange gains/(losses)	16	(1)
Net cash outflow from operating activities	(75)	(821)

19 Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year	(116)	386
Cash inflow/(outflow) from increase in debt	96	(1,220)
Change in net cash resulting from cash flows	(20)	(834)
Net debt at 1 January 2007	(2,048)	(1,214)
Net debt at 31 December 2007	(2,068)	(2,048)

20 Analysis of changes in net debt

	At 1 January 2007 £'000	Cash flow £'000	At 31 December 2007 £'000
Cash at bank and in hand	214	(147)	67
Overdrafts	(37)	31	(6)
	177	(116)	61
Debt due within one year - other loans	(590)	(19)	(609)
Debt due after more than one year	(1,635)	115	(1,520)
Total	(2,048)	(20)	(2,068)

21 Capital commitments

The company had no capital commitments at 31 December 2007 or 31 December 2006

22 Contingent liabilities

Group undertakings have provided guarantees to H M Revenue and Customs totalling £20,000 (2006 £20,000)

The company has provided unlimited guarantees for the borrowing of its subsidiary undertakings As at 31 December 2007, subsidiary undertakings had borrowings of £608,869 which were subject to this guarantee (2006 £590,184)

23 Commitments under operating leases

Operating lease payments amounting to £18,000 (2006 £Nil) are due within one year The leases o which these amounts relate expire as follows

	Other	
	2007 £'000	2006 £'000
Operating leases which expire		
Between one and five years	18	-
	18	-

24 Related party transactions

The group

During the year the group purchased services from Acela Limited to the value of £317,686 (2006 £477,166) At 31 December 2007 the group owed £26,861 (2006 £88,041) to Acela Limited During the year the group made sales of £147 to Acela Limited During the year the group received a loan of £100,000 from Acela Limited that was outstanding at the year end (2006 £215,000) H Lynch was a director of Ronson International Limited and Acela Limited during the year K Jahanshad is a director of both Ronson International Limited and Acela Limited

During the year ended 31 December 2006 Ronson Limited issued 100 £10,000 cumulative redeemable preference shares, classified as debt, to Mitchell (UK) Limited At the year end there was £175,156 of interest accrued relating to this (2006 £25,000) H Lynch was the director of Mitchell (UK) Limited during the year

The company

There exists a consultancy contract, dated 1 March 2004, between AMY Holdings Limited and the company at a cost to the company of £47,500 per annum The charge for the year was £47,500 (2006 £47,500) Either party can terminate this agreement with two months' written notice

At 31 December 2007 £9,302 (2006 £Nil) was due from the group to AMY Holdings Limited £80,000 (2006 £120,000) is due from the group to AMY Holdings Limited in relation to a loan made in 2003

During the year ended 31 December 2005 Ronson Limited issued 42 £10,000 cumulative convertible redeemable preference shares, classified as debt, to AMY Holdings Limited At the year end there was £208,201 (2006 £143,154) accrued relating to this

The company has taken advantage of the exemption in FRS 8 that transactions with 90% (or greater) subsidiaries do not need to be disclosed

25 Ultimate parent company

The director regard AMY Holdings Limited, a company registered in England and Wales, as the ultimate parent company by virtue of shareholding In the opinion of the director, there is no controlling related party of that company

26 Future funding requirements

The director has considered the funding requirement for the day to day working capital of the group and the further development of the business

Cash flow and profitability projections for a rolling 12 month period are prepared, updated and regularly reviewed by the management team The key assumptions are sales forecasts (both quantum and timing) by product and customer, product line gross margin and the timing of receipts from customers and the timing of payments to creditors The reliability of both sales and gross margin assumptions are particularly susceptible to market pressures

The director has renegotiated payment terms on loans and preference shares This will allow the group to alleviate anticipated cash flow pressure during this period

On the basis that forecasts can be met the director is satisfied that the group has sufficient resources to meet its working capital needs over the next twelve months and that the group remains a going concern Accordingly the financial statements have been prepared on the going concern basis

27 Forward purchase commitment

The group has entered into a forward purchase agreement for US $

If the spot rate is at or below the forward rate at the determination date the group has a commitment of £532,000

If the spot rate is above the forward rate at the determination date the group has a commitment of £266,004

As at 31 December 2007, the fair value of the agreement was £10,535