

RONSON PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



RONSON PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2003

Company registration number: 1907889

Registered office: Lacon House
Theobald's Road
London
WC1X 8RW

Directors: Ronald Clucas (Non-Executive Director)
Bardia Panahy (Non-Executive Director)
Farzad A Rastegar (Non-Executive Director)

Secretary: Ronald Clucas

Principal Bankers: HSBC Bank plc
9 The Boulevard
Crawley
West Sussex
RH10 1UT

Registrars: CAPITA Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Financial Advisers: Axiom Capital Limited
Roman House
296 Golders Green Road
London
NW11 9PT

Legal Advisers: Nabarro Nathanson
Lacon House
Theobalds Road
London
WC1X 8RW

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Elgin House
Billing Road
Northampton
NN1 5AU

RONSON PLC

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For the year ended 31 December 2003

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RONSON PLC

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Principal activity

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

Business review

There was a loss for the year after taxation amounting to £2,753,000 (2002: £4,000 profit). The directors do not recommend the payment of a dividend.

2003 has been a year of major events within Ronson plc.

These events have been well documented in a variety of shareholder communications, but are summarised below. The results for 2003 have been significantly impacted by the events that occurred during the year and by a fundamental review of the future business requirements.

Significant events:

Formal sale process/shares delisted

In May 2003 the Board agreed to enter into a formal sale process. It was determined by the company's advisers that the Board should only consider offers for Ronson plc rather than the trading subsidiary, due to unquantifiable tax implications. This formal process was concluded in November 2003 with no final offers having been received.

In June 2003 the company applied for the shares in Ronson plc to be delisted from the London Stock Exchange. The shares were subsequently delisted on 16 July 2003.

Resignation and appointment of non-executive directors

Mr Hazell-Smith and Mr Hodges resigned from the Board on 9 May 2003. Mr Clucas was appointed on 16 June 2003 and Mr Panahy on 10 November 2003.

Resignation of executive directors

During the period of the sale process the two executive directors resigned and subsequently left the company.

Business reorganisation

The Board believe that the overhead structure of the company was not sustainable at the anticipated level of turnover and that the previous strategy had failed. A fundamental review of the business was undertaken and the company was restructured with non-core activities being outsourced and the company moving from its previous under utilised premises at the end of the lease to more appropriate and less expensive premises.

Financial review

Sales are £8,622,000, which is £1,019,000 lower than 2002. This is due to lower export orders in all markets resulting from increased competition and concerns regarding the potential impact over anti-dumping legislation. Sales in United Kingdom have increased by 10% compared to 2002, although this has been achieved at the expense of gross profit due to increased price competition in key accounts.

Gross profit is £2,809,000, representing 32.6% of sales compared to 36.7% in 2002. The gross profit was adversely affected in 2002 as a result of stock valuation issues relating to the opening stock of 2002 and by increased provisions at the end of 2003 as a result of a product range rationalisation exercise. These provisions and the rationalisation stemmed from the build up of old stock and from speculative buying of stock lines in early 2003 that subsequently proved to be unsaleable. In total, these items have increased losses by £1,065,000.

Other operating income and charges amount to £4,807,000. This is considerably higher than 2002 and continues the trend which was reflected in the 2003 interims. The restructuring of the company and the considerable costs associated with the aborted sale process have accounted for much of the increased costs. In addition, the company has reviewed a number of old debts and has made appropriate provisions.

Notwithstanding the events referred to above, directors' fees are 11% lower than 2002. These costs are detailed in note 5.

Despite the reported trading loss for 2003, a tax charge of £502,000 has arisen. This is mainly due to the reversal of the deferred tax asset which was created at the end of 2002, but which cannot be justified in view of the 2003 trading result and the immediate prospects for your company.

The fixed asset and current assets of the group are considerably lower than comparative figures for 2002.

The largest differences relate to:

Fixed assets, which are £374,000 lower than 2002 resulting from the write down of development costs and tooling no longer used for manufacturing and the refurbishment costs relating to vacating International House.

Stocks, which are £1,511,000 lower than 2002 due to the range rationalisation provision, and the fact that 2002 stocks were higher than normal due to uncertainty regarding potential anti-dumping legislation.

The loss for the year results in negative equity shareholders funds at the end of 2003 of £(833,000). The directors intend raising additional funds during 2004, which will restore the group's equity shareholders funds to a positive level.

Share capital

There were no changes to the share capital structure of the company during the year.

On 5 January 2004, the company wrote to shareholders to advise that the company was proposing an Open Offer for 2,150,394,814 shares at an offer price of 0.0375p per share. This Open Offer was taken up such that the gross proceeds were £806,000.

An Extraordinary General Meeting of the company was convened on 30 January 2004 at which the resolution to allot the appropriate shares was passed.

RONSON PLC

REPORT OF THE DIRECTORS

Payment to suppliers

The group does not follow any standard code of payment, 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, but follows no set payment policy. The average creditors days for the group was 60 (2002: 53 days). The standard terms of trading with the majority of the group's suppliers is 60 days (2002: 60 days).

Directors

The present membership of the Board is set out below. The interests of the directors in the ordinary shares of the company at 31 December 2003, together with their interests at 31 December 2002 were as follows.

	Beneficial interests 31 December 2003	Non beneficial interests 31 December 2003	Beneficial interests 31 December 2002	Non beneficial interests 31 December 2002
F A Rastegar *	-	6,868,313	-	328,352,338
F A Rastegar +	-	321,484,025	-	-
B Panahy (appointed 10 November 2003)	-	-	-	-
R Clucas (appointed 16 June 2003)	-	-	-	-

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

+ held through Amy Holdings Limited.

Mr S Hazell Smith and Mr A Hodges resigned as directors on 9 May 2003 and Mr J M Graham and Mrs P A Hulme resigned as directors on 12 September 2003.

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' insurance

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

RONSON PLC

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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


The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton were appointed auditors on 9 February 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

BY ORDER OF THE BOARD


.....
R Lucas
Secretary

15 July 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

RONSON PLC

We have audited the financial statements of Ronson plc for the year ended 31 December 2003 which comprise the principal accounting policies, the consolidated profit and loss account, the statement of total recognised gains and losses, 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 the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and the chairman's statement. 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 opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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. However, the evidence available to us in respect of opening stocks at 1 January 2003 amounting to £2,183,000 was limited. We were appointed auditors on 9 February 2004 and it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence concerning the existence, quantities and condition of certain stock included in the balance sheet at 31 December 2002. Any adjustment to this figure would have a consequential effect on the profit for the year ended 31 December 2003, the balance sheet at 31 December 2002 and the comparative profit and loss account, being that for the year ended 31 December 2002.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

RONSON PLC

Going concern

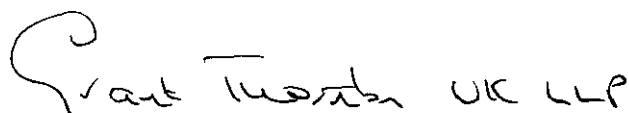
In forming our opinion we have considered the adequacy of the disclosures made in note 27 and in the Basis of Preparation paragraph contained within the accounting policies concerning the requirement to raise additional finance from the company's shareholders. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2003 and, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning stocks as at 1 January 2003, of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stocks:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Northampton



BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis which assumes that the planned fundraising exercise to be put to shareholders and other potential investors in August 2004 will raise up to £1.5m. The directors believe that it is appropriate to make this assumption.

The principal accounting policies of the group are set out below.

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 2003. 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.

INTANGIBLE FIXED ASSETS

The group adopted the transitional provisions of FRS 10 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.

Development costs on new products are capitalised and carried forward until the commencement of commercial production when they are amortised over two years.

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 expected useful lives. The rates generally applicable are:

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

INVESTMENTS

Investments are included at cost less provision for impairment.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful economic lives.

All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost of manufactured finished goods includes all direct expenditure and overheads production. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

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 over a two year period. All research and other development costs are written off as incurred.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The company 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 and are payable to the individual policies effected by employees with independent insurance companies.

RONSON PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	8,622	9,641
Cost of sales		<u>(5,813)</u>	<u>(6,103)</u>
Gross profit		2,809	3,538
Other operating income and charges	2	<u>(4,807)</u>	<u>(3,472)</u>
Operating (loss)/profit		(1,998)	66
Exceptional items	3	(238)	-
Net interest	4	<u>(15)</u>	<u>(51)</u>
(Loss)/profit on ordinary activities before taxation	1	(2,251)	15
Tax on (loss)/profit on ordinary activities	6	(502)	(11)
(Loss)/profit for the financial year	17	<u>(2,753)</u>	<u>4</u>

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 PLC**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
(Loss)/profit for the financial year		<u>(2,753)</u>	<u>4</u>
Total (losses)/gains relating to the year		(2,753)	4
Prior year adjustment	26	-	483
Total (losses)/gains recognised since last annual report		<u>(2,753)</u>	<u>487</u>


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

RONSON PLC

BALANCE SHEETS AT 31 DECEMBER 2003

	Note	2003 £'000	Group 2002 £'000	2003 £'000	Company 2002 £'000
Fixed assets					
Intangible assets	9	11	111	-	-
Tangible assets	10	312	586	-	-
Investments	11	-	-	2,350	2,350
		323	697	2,350	2,350
Current assets					
Stocks	12	672	2,183	-	-
Debtors	13	1,491	1,684	18	-
Deferred taxation	15	-	479	-	-
Cash at bank and in hand		114	86	7	-
		2,277	4,432	25	-
Creditors: amounts falling due within one year	14	(3,433)	(3,207)	(695)	(345)
Net current (liabilities)/assets		(1,156)	1,225	(670)	(345)
Total assets less current liabilities		(833)	1,922	1,680	2,005
Provisions for liabilities and charges	15	-	(2)	-	-
		(833)	1,920	1,680	2,005
Capital and reserves					
Called up share capital	16	4,579	4,579	4,579	4,579
Share premium account	17	21,651	21,651	21,651	21,651
Special reserve	17	-	-	13,631	13,631
Profit and loss account	17	(27,063)	(24,310)	(38,181)	(37,856)
Equity shareholders' funds	18	(833)	1,920	1,680	2,005

The financial statements were approved by the Board of Directors on



B Panahy
Director

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

RONSON PLC**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash outflow from operating activities	19	(399)	(210)
Returns on investments and servicing of finance			
Interest received		36	11
Interest paid		(63)	(62)
Net cash outflow from returns on investments and servicing of finance		<u>(27)</u>	<u>(51)</u>
Taxation			
Overseas corporation tax paid		(32)	-
		<u>(32)</u>	<u>-</u>
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(23)
Purchase of tangible fixed assets		-	(55)
Sale of tangible fixed assets		4	-
Net cash inflow/(outflow) from capital expenditure and financial investment		<u>4</u>	<u>(78)</u>
Cash outflow before financing		<u>(454)</u>	<u>(339)</u>
Financing			
Debt due within one year: increase in short term borrowings		9	1,029
Net cash inflow from financing		<u>9</u>	<u>1,029</u>
(Decrease)/increase in cash in the year	20	<u>(445)</u>	<u>690</u>

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

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and result were generated from its operations in the United Kingdom, Poland and Germany. £7,025,000 of turnover was generated in the United Kingdom, £1,339,000 in Poland and £258,000 in Germany. The United Kingdom operation generated a loss on ordinary activities of £2,317,000 whilst the Poland operation generated a profit of £92,000 and Germany generated a loss of £26,000. £919,000 of the group's net liabilities are held in the United Kingdom, £118,000 net assets in Poland and there are net liabilities of £32,000 in Germany.

A geographical analysis of turnover by destination is given below:

	2003 £'000	2002 £'000
United Kingdom	5,216	4,667
Rest of Europe	3,068	4,147
Asia	143	207
Rest of the World	195	620
	<u>8,622</u>	<u>9,641</u>

The (loss)/profit on ordinary activities before taxation is stated after:

	2003 £'000	2002 £'000
Depreciation:		
Tangible fixed assets, owned	258	149
Tangible leased fixed assets	-	2
Amortisation of development expenditure	100	91
Auditors' remuneration:		
Audit services	24	50
Non-audit services	10	37
Research and development expenditure	30	19
Hire of plant and machinery - operating leases	-	81
Hire of other assets - operating leases	-	83
	<u>-</u>	<u>83</u>

The audit fee includes £6,000 (2002: £15,000) in respect of the company.

2 OTHER OPERATING EXPENSES

	2003 £'000	2002 £'000
Distribution costs	535	486
Administration expenses	4,108	2,986
Leasehold dilapidation costs	70	-
Legal and professional costs - aborted sales process	94	-
	<u>4,807</u>	<u>3,472</u>

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3 EXCEPTIONAL ITEMS

	2003 £'000	2002 £'000
Restructuring costs	<u>238</u>	<u>-</u>

The exceptional costs relate to the restructuring of the group including the relocation of its trading offices and the reorganisation of operations.

4 NET INTEREST

	2003 £'000	2002 £'000
Interest receivable	36	11
Interest payable and similar charges:		
On bank loans and overdrafts	(50)	(60)
On finance leases	(1)	(2)
	<u>(15)</u>	<u>(51)</u>

5 EMPLOYEES

Staff costs during the year were as follows:

	2003 £'000	2002 £'000
Wages and salaries	1,005	1,161
Social security costs	115	128
Other pension costs	43	46
Redundancy costs	217	-
	<u>1,380</u>	<u>1,335</u>

The average monthly number of employees (including Executive Directors) employed by the group during the year was 38 (2002: 36).

Remuneration in respect of directors was as follows:

	2003 £'000	2002 £'000
Fees	48	86
Emoluments for management services (including allowances)	146	196
Pension contributions	13	18
Compensation for loss of office	81	25
	<u>288</u>	<u>325</u>

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5 EMPLOYEES (CONTINUED)

During the year 2 directors (2002: 2 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2003 £'000	2002 £'000
Emoluments	81	98
Compensation for loss of office	39	-
Pension contributions to money purchase pension schemes	7	9

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the (loss)/profit for the year and represents:

	2003 £'000	2002 £'000
UK corporation tax on loss/(profit) of period	-	-
Overseas taxation	25	7
Current tax charge for the year	25	7
Transfer from deferred taxation	477	4
Tax on profit on ordinary activities	502	11

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before tax	(2,251)	15
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(675)	5
Effect of:		
Expenses not deductible for tax purposes	70	8
Capital allowances for the year in arrears of depreciation	18	45
Other tax adjustments	13	3
Tax losses arising/(utilisation) of tax losses	599	(54)
Current tax charge for the year	25	7

It is estimated that the group has taxable losses of approximately £15m carried forward and available for offset against future trading profits subject to Inland Revenue agreement.

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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 £325,000 (2002: £452,000 profit).

8 DIVIDENDS

No dividend has been paid or is proposed in respect of the year ended 31 December 2003 (2002: £Nil).

9 INTANGIBLE FIXED ASSETS

The group

	Total £'000
Cost	
At 1 January 2003 and at 31 December 2003	<u>210</u>
Depreciation	
At 1 January 2003	99
Charge for year	100
At 31 December 2003	<u>199</u>
Net book value at 31 December 2003	<u>11</u>
Net book value at 31 December 2002	<u>111</u>

The company

There are no intangible fixed assets held by the company.

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

10 TANGIBLE FIXED ASSETS

The group

	Short leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2003	45	1,203	1,248
Disposals	(45)	(335)	(380)
At 31 December 2003	-	868	868
Depreciation			
At 1 January 2003	38	624	662
Charge for year	7	251	258
On disposals	(45)	(319)	(364)
At 31 December 2003	-	556	556
Net book value at 31 December 2003	-	312	312
Net book value at 31 December 2002	7	579	586

The net book value of equipment, fixtures and fittings includes £Nil (2002: £12,169) in respect of assets held under finance leases.

The company

The net book value of tangible fixed assets is £Nil (2002: £Nil).

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

11 FIXED ASSET INVESTMENTS

The company

	2003 £'000	2002 £'000
At cost less provision for impairment At 1 January 2003	2,350	1,900
Impairment provision released	-	450
At 31 December 2003	<u>2,350</u>	<u>2,350</u>

The historical cost of investments is £28,651,000 (2002: £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	Distribution of lighters	Ordinary 1 Euro 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 plc.

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 and operates in Germany 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.

12 STOCKS

The group

	2003 £'000	2002 £'000
Finished goods and goods for resale	<u>672</u>	<u>2,183</u>

The company

There are no stocks held by the company.

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

13 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,315	1,277	-	-
Other debtors	32	201	-	-
Prepayments and accrued income	144	206	18	-
	<u>1,491</u>	<u>1,684</u>	<u>18</u>	<u>-</u>

Included within trade debtors are factored debts with a value of £928,000.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank overdrafts	473	-	-	-
Other loans	1,043	1,034	-	-
Trade creditors	1,121	1,073	-	-
Amounts owed to group undertakings	-	-	137	275
Other taxation and social security	302	401	-	-
Other creditors	125	78	558	56
Accruals and deferred income	369	621	-	14
	<u>3,433</u>	<u>3,207</u>	<u>695</u>	<u>345</u>

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

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

15 DEFERRED TAX

	2003 £'000	2002 £'000
Balance at 1 January 2003	477	481
Transfer to profit and loss	(477)	(4)
Balance at 31 December 2003	<u>-</u>	<u>477</u>

	2003 £'000	2002 £'000
Provision for deferred tax comprises:		
Excess of tax allowances over depreciation	-	(2)
Tax losses carried forward	-	479
Net deferred tax asset	<u>-</u>	<u>477</u>

16 SHARE CAPITAL

	2003 £'000	2002 £'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, called up and fully paid		
1,075,197,407 ordinary shares of 0.01p each	108	108
89,596,203 deferred shares of 4.99p each	4,471	4,471
	<u>4,579</u>	<u>4,579</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.

On 5 January 2004, the company wrote to shareholders to advise that the company was proposing an Open Offer for 2,150,394,814 shares at an offer price of 0.0375p per share. The gross proceeds of this Open Offer were £806,000.

An Extraordinary General Meeting of the company was convened on 30 January 2004 at which the resolution to allot the appropriate shares was passed.

RONSON PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

16 SHARE CAPITAL (CONTINUED)

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 options granted, as listed below, existed at 31 December 2002. During the year to 31 December 2003 the ability of individuals to exercise these options ceased following the cessation of employment with the group.

The following share options were in force at 31 December 2002:

Date options granted	Option price per share	Period exercisable	Number of shares
17 March 1999	1p	17 March 2002 - 16 March 2009	6,000,000
17 March 1999	0.93p	17 March 2002 - 16 March 2009	9,977,962
28 May 1999	1p	28 May 2002 - 27 May 2009	2,000,000
4 May 2001	0.58p	4 May 2004 - 3 May 2011	17,460,000
4 May 2001	0.5p	4 May 2004 - 3 May 2011	2,000,000

17 SHARE PREMIUM ACCOUNT AND RESERVES

The group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	21,651	(24,310)
Loss for the year	-	(2,753)
At 31 December 2003	<u>21,651</u>	<u>(27,063)</u>

The company

	Special reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	13,631	21,651	(37,856)
Loss for the year	-	-	(325)
At 31 December 2003	<u>13,631</u>	<u>21,651</u>	<u>(38,181)</u>

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.

RONSON PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**The group**

	2003 £'000	2002 £'000
(Loss)/profit for the year and net (decrease)/increase to shareholders' funds	(2,753)	4
Opening shareholders' funds	1,920	1,916
Closing shareholders' funds	<u>(833)</u>	<u>1,920</u>

19 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating (loss)/profit	(1,998)	66
Depreciation of tangible fixed assets	258	151
Loss on disposal of fixed assets	12	-
Amortisation of intangible assets	100	91
Exceptional costs	(238)	-
Decrease in stocks	1,511	370
Decrease in debtors	205	254
Decrease in creditors	(249)	(1,142)
Net cash outflow from operating activities	<u>(399)</u>	<u>(210)</u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £'000	2002 £'000
(Decrease)/increase in cash in the year	(445)	690
Cash inflow from increase in debt	<u>(9)</u>	<u>(1,029)</u>
Change in net cash resulting from cash flows	(454)	(339)
Net debt at 1 January 2003	(948)	(609)
Net debt at 31 December 2003	<u>(1,402)</u>	<u>(948)</u>

RONSON PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

21 ANALYSIS OF CHANGES IN NET DEBT

	At 31 December 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash at bank and in hand	86	28	114
Overdrafts	-	(473)	(473)
Debt due within one year - other loans	86 (1,034)	(445) (9)	(359) (1,043)
Total	(948)	(454)	(1,402)

22 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2003 or 31 December 2002.

23 CONTINGENT LIABILITIES

Group undertakings have provided guarantees to H M Customs and Excise totalling £200,000 (2002: £200,000).

The company has provided unlimited guarantees for the borrowing of its subsidiary undertakings. As at 31 December 2003, subsidiary undertakings had borrowings of £1,016,509 which were subject to this guarantee (2002: £771,981).

At the year end the group had commitments relating to documentary credits not included within creditors totalling £140,692 (2002: £204,764).

24 LEASING COMMITMENTS

At 31 December 2003 the group had annual commitments under non-cancelable operating leases as follows:

	Land and buildings		Other	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Within one year	-	62	45	2
Between one and five years	-	-	51	61
	-	62	96	63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

25 RELATED PARTY TRANSACTIONS

The group

During the year the group purchased services from Acela Limited to the value of £84,780. At 31 December 2003 the group owed £88,316 to Acela Limited.

Mr R Clucas is a director of Acela Limited.

The company

A short term loan of £500,000 was received from Amy Holdings Limited. A loan arrangement fee of £17,500 was payable together with interest of £2,305. Interest paid in advance at 31 December 2003 totalled £12,695.

Mr F A Rastegar has a beneficial interest in the shares of Amy Holdings Limited.

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

There were no related party transactions of the group in the prior year to 31 December 2002.

26 PRIOR PERIOD ADJUSTMENT

Following the introduction of Financial reporting Standard 19, the group took credit during 2002 for a proportion of the value of its tax losses. This was a change in accounting policy and resulted in a prior year adjustment of £483,000.

27 GOING CONCERN

The group balance sheet at 31 December 2003 showed liabilities exceeding assets by £833,000. Since that date the company has raised £806,000 by way of an Open Offer for a fresh issue of shares.

The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. Raising additional funds is critical to the company's ability to continue trading.

In May 2004 the directors resolved to implement a refinancing plan in August 2004 that will include inviting shareholders and other potential investors to provide up to £1.5m additional funding. Assuming this is successful, the directors believe that this additional sum will give the company sufficient working capital to meet its liabilities as they fall due over the next 12 months.