

RONSON PLC ANNUAL REPORT & ACCOUNTS 2002

13/07/03

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Managing Director's Statement

Strategy

During 2002, the Group has continued to pursue its strategy to protect and develop the Ronson brand in its core markets, by focusing resources on building distribution for disposable cigarette lighters and flame product accessories.

This strategy has had to be executed within severe financial constraints which have prevented additional marketing expenditures, further product development or category diversification.

Results

The Group's strategy was successfully implemented in its core UK market, where sales of disposable lighters and flame accessories grew 23% versus 2001, and in Poland where sales grew 53% versus 2001. Overall sales grew 7% to £9.6m (2001: £9.0m). However, this growth did not flow through to financial results, with a disappointing pre-tax profit of £15,000 achieved. The profit compares unfavourably with both 2001 at £390,000 and first half year, as reported in August 2002, of £122,000.

Overall turnover only increased by 7.2% as a result of continued planned reductions in gift product sales, down 32% versus 2001, and lower than planned growth in international markets, up 11% versus 2001. Profits were consistently limited by customers' pressure on margins and additionally almost eradicated by unforeseen costs of £305,000 charged by the year-end. These costs are explained in more detail in the Operating and Financial Review on pages 4 to 6.

The 2001 figures have been restated to reflect changes brought about by FRS19 deferred taxation, as detailed in the operating and financial review.

Current Trading and Prospects

The results of the first quarter of 2003 are in line with the Board's expectations but trading continues to be tough under highly competitive conditions.

In light of these market conditions, the Group is continuing to reduce fixed costs by outsourcing certain operations wherever possible, which the executive directors consider should deliver net cost and efficiency benefits visible in the second half of 2003.

The UK Market

Growth in core products was fuelled by new accounts gained throughout the year and organic sales growth to existing customers. The 23% growth in sales of disposable lighters and flame accessories would have been higher still if operations with certain major accounts had begun earlier, as planned, a fact that supports future growth projections.

Gift sales were impacted by surrender of the YSL pen licence which accounted for sales of £208,000 in 2001, discontinuation of health and beauty products (relics of a Group business terminated in 2000) and rationalisation of Ronson's overlong gift lighter product line.

Prospects for Ronson's disposable lighters continue to look positive given distribution opportunities for the Group's most recent innovative products. In particular, the unique Slyda model has a child-resistant system of particular relevance as Child Resistance Legislation is imposed across Europe (currently anticipated for July 2004). The Board is already reviewing further product systems to address this anticipated legislation, although precise relevant criteria within the legislation have not yet been finalised.

The new cigarette paper and accessory range, introduced in spring 2002, has not yet realised its potential in what is the UK's fastest growing related market. However, its ability to enhance brand awareness and reach new users has persuaded the executive directors to maintain pressure on building distribution.

The potential for increased sales of Ronson's exclusive candle lighter design has recently been indicated by listings with Argos which will significantly strengthen its presence in the direct mail market as well as the high street retail market.

The International Market

Modest 11% growth in International sales contrasts unfavourably with strong performance by the Group's Poland subsidiary up 53% versus 2001. Following the strong performance in Poland the Group opened a similarly structured sales operation in Germany in April 2002; initial sales here are modest but already suggest that a growth opportunity exists.

Beyond these markets, International sales opportunities have not yet been properly realised and, in particular, Ronson sales have shown vulnerability to economic and political events in South America and the Middle East.

With a view to unlocking the potential of international markets, an independent study has been commissioned to assess opportunities and modus operandi. The conclusions of this work are now being reviewed to evaluate resources required and map the way forward for the brand outside the UK.

Anti-Dumping

Two important announcements were made to shareholders in December 2002 and April 2003 regarding the position of potential Anti-Dumping taxation duties under investigation by the European Commission.

The European Commission is still considering whether it is appropriate to levy additional Anti-Dumping duties on a broader range of imports of disposable lighters into Europe from a wider group of exporting countries. This action is as a result of a complaint to the Commission from European manufacturers which was notified to the Company in late June 2002.

The provisional results of those deliberations were due on the 27th March 2003. However, due to the level of detail passed to the Commission by those opposing the action, the outcome is not now expected until later in 2003, although the exact timing is currently unclear.

Through a co-ordinated effort with our importers' organisation, we continue to defend our position, with specialist lawyers representing our and all other importers' interests.

If any such duties are imposed, this may well present further challenges to the business. The Board continues to keep all possible alternatives under review and will of course inform shareholders of all relevant developments as they occur.


Summary

The Group continues to grow sales of core products by seeking increased distribution and visibility, within strict financial controls and significant cost savings.

The Ronson brand has evidenced responsiveness to the introduction of its distinctive designs in markets where the Company has its own sales operations.

Future sales growth is expected, particularly once international opportunities have been grasped, provided that sufficient resources can be generated to sustain sales momentum.

The Executive team would like to thank the independent non-executive directors who have held office during the year, Jim Clark, Stephen Hazell-Smith and Anthony Hodges, for their input. Their advice has enabled the Board to carry on its duties without the costs of appointing a new Chairman.


John M Graham
Managing Director
30th April 2003

Operating and Financial Review

Profit and Loss Account

The Board reports a trading profit for the second year in succession, albeit with a disappointing pre-tax profit for the year of £15,000. Operating profit for the year was £66,000, against £421,000 in 2001 and £153,000 at the half year. Trading during 2002 has proven difficult despite promising indications at the half-year point.

Shareholders were notified in December 2002 that expectations for the year would be at a level only slightly ahead of the half year. During the last quarter of 2002 the sales targets were not achieved as anticipated, falling short by an expected margin contribution slightly in excess of £350,000. Additionally, a number of items of expenditure were identified at the end of the year. These costs, which were not accrued, primarily related to three areas: the result of an award by an industrial tribunal; revaluation of assets held in foreign currencies; and increased auditors' remuneration. The combined effects of reduced sales for the last quarter and excess costs identified at year end reduced the profits for the year as a whole to a level below the first half result.

Turnover increased from £8,996,000 in 2001 to £9,641,000 for 2002, although the 7.2% increase is much lower than expectations.

The margin is 2.5% lower than 2001 but in line with expectations of a revised product mix, given the planned reduction in gift range available.

Service levels to customers continue to be excellent and our commitment to controlling spending has continued. However, significant upward pressure from external sources, notably insurance and audit, has led to increased costs for the year.

The difficulties reflected in profits have flowed primarily from failure to achieve sales targets, customers' downward pressure on margins, together with a number of material one off costs. Costs of £305,000 which were not predicted at this level, and with the exception of audit fees are in addition to those outlined above, were as follows:

Investment in set up of new retail accounts - £115,000

As with any new business, start-up costs have been incurred and these relate to unprecedented negotiations with particular customers. As a result these costs are significant compared to previous years and have been expensed in 2002.

Additional Tax and Social Security Costs - £65,000

The Group has been the subject of a Pay As You Earn investigation during the period 2001/2002 covering the period 1996 through to 1999. The result of that investigation was concluded in 2002 and cost the Group £98,000 in total. An accrual was made in 2001 although this was ultimately insufficient for the final charges levied. The additional cost in 2002 of £65,000 is therefore included in Administration Expenses for 2002. The additional Tax and National Insurance charges were levied as a direct result of the lack of financial and operational control during the periods 1996 to 1998 as previously reported to shareholders.

Defence against Anti-Dumping Tax - £20,000

As previously reported to shareholders, the Group has incurred significant time and expense on defending itself against possible additional taxation duties on certain imports. This process continues and further costs are expected during 2003, although not at a material level.

Cost of Board Changes - £55,000

These costs were incurred as a result of changes to the Board, namely the resignation of Jim Clark and the appointment of Stephen Hazell-Smith and Anthony Hodges.

Additional Auditors' Remuneration and Insurance Fees - £50,000

Due to the changes in the accounting and reporting world, particularly in the public arena, increased responsibilities for both the auditors and the audit committee have resulted in increased audit and related costs for the year. Costs going forward for a publicly quoted company are expected to continue at a level significantly higher than previously experienced.

With world-wide changes across the insurance industry, premiums have inevitably increased and it is anticipated that they will continue to increase if the Group is to enjoy appropriate insurance cover.

Balance Sheet

The Group has not made any significant investment in fixed assets during the year. During 2001, investment of £291,000 was made to develop innovative disposable products and the Board considered this expenditure sufficient for the short-term and for growth of the core business.

Stocks and Debtors have continued to be carefully managed.

Due to the provisions of FRS19 Deferred Taxation, the Board has decided on a limited recognition in the Financial Statement of previous losses incurred. Tax losses have been adjusted through the profit and loss accounts and the statement of total recognised gains and losses on page 21, as a prior year adjustment for 2001 of £117,000 (see note 7) and for the current year of £4,000. The total increase in asset value in the balance sheet is £479,000 to the year ended 31st December 2002 as a result of this limited recognition.

Total unrecognised tax losses available for set-off against future profits are in the region of £12,200,000 subject to usual Inland Revenue approval.

Cash and Banking

At the end of June 2002 the Group changed bankers to the HSBC Bank; the move is seen by the Board as a positive initiative. The Board is pleased to report that the change of financing from an overdraft basis to asset based financing gave the Group the resources to continue the development of the core business. During the year however, limited profitability for the year put significant cash constraints on the business as a whole.

The facilities available are confidential invoice discounting of our debtor book, termed documentary credits for our main import supplier base, a loan account and a foreign exchange facility. The loan account will be used to allow an additional line of credit on our termed documentary credits now being written with HSBC and functions as a consequence of purchase orders raised and is secured against stock.

The bank overdraft at 31st December 2001 was £612,000 (note 16) and increased to £1,115,000 at the half year. With the introduction of asset based financing the level of financing is now £1,034,000 (note 16, other loans) consisting of a termed loan of £522,000, taken as a result of the bank changeover, invoice discounting of £358,000 and termed documentary credits of £154,000 reduced by cash at bank of £86,000. Cash resources going forward will continue to be a scarce resource for the Group and will continue to be dependent on sales and profitability going forward.

At the last Annual General Meeting, on the 28th May 2002, resolutions were put to shareholders to enable the Board to seek additional funding by way of a share issue. These resolutions had been proposed annually and agreed for many years, but in 2002 the resolutions presented were not approved by shareholders and therefore the Board does not now have the ability to issue shares for cash. The resolutions will be put to shareholders again at the Annual General Meeting and the Board hopes that the resolutions will be approved so that any opportunity which may arise can be acted upon by the Board in the best interests of all shareholders.

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The net asset value of the Group at the 31st December 2002 is £1,920,000. Additionally the Group has the assets of unrecognised tax losses, (in the region of £12.2m with an asset value at a maximum of £3.6m) and intellectual property rights associated with trademarks, patents and the Ronson brand name which do not form part of the Balance Sheet.

In Summary

The results for 2002 are lower than the Board's original expectations and although significant progress has been made in improving the working capital position of the Group, thereby reducing capital and interest costs for future years, resources are very limited. Improvement in cash resources will only be seen with improvements in revenue and continued control of costs.

Top line revenue has improved over 2001 and it is the Board's intention that the development of our distribution network, both at home and abroad, continues to be a high priority. Upward pressure on costs has been experienced, although a large proportion of additional costs represents investment in trading accounts, the benefits of which will be seen in the current year and beyond.

The Board is confident that further growth in turnover can be achieved in 2003 and, with continued control over spending, the improved pre-tax profit targeted for the coming year can also be achieved.



P A Hulme FCCA
Finance Director

30th April 2003

Directors and Advisers

Directors	<p>John M Graham (Managing Director) Pamela A Hulme (Finance Director)</p> <p>Farzad A Rastegar (Non-Executive Director) Stephen Hazell-Smith (Non-Executive Director) Anthony Hodges (Non-Executive Director)</p>
Company Secretary and Registered Office	<p>Pamela A Hulme International House Old Brighton Road Lowfield Heath Crawley West Sussex RH11 0QN</p> <p>Tel: 01293 843600 Fax: 01293 843665</p>
Principal Bankers	<p>HSBC Bank plc 9 The Boulevard Crawley West Sussex RH10 1UT</p>
Registered Auditors	<p>Baker Tilly Chartered Accountants 2 Bloomsbury Street LONDON WC1B 3ST</p>
Registrars	<p>Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA</p>
Stockbrokers and Financial Advisers	<p>Charles Stanley & Company Limited 25 Luke Street LONDON EC2A 4AR</p>
Legal Advisors	<p>S J Berwin 222 Gray's Inn Road LONDON WC1X 8XF</p>
Registered Number	1907889

Directors' Remuneration Report

For year ended 31 December 2002

Introduction

The board has final responsibility for the Group's remuneration policies with the board delegating responsibility for remuneration policy in respect of the executive directors and senior executives to the remuneration committee.

Appointments and Remuneration committee composition

During the year the remuneration committee was comprised exclusively of non-executive directors, namely,

- Mr J R Clark (Chairman - resigned 7.7.02)
- Mr A Hodges (Chairman Appointed 9.7.02)
- Mr F A Rastegar
- Mr S Hazell-Smith (Appointed 9.7.02)

No member of the committee has any personal financial interest, other than as share owners, in the company nor do they have any conflicts of interest arising from cross-directorships or any operational involvement in the running of the company.

The committee consults with external advisors and consultants with regard to the remuneration policy. The committee met quarterly during the year.

In forming the remuneration policy, the best practice provisions as set out in the Combined Code annexed to the Listing Rules have been followed and the Guidelines issued by the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF) have been noted.

Remuneration Policy

The company seeks to provide competitive remuneration measured against other UK quoted companies for the calibre of executives necessary to ensure the developments and delivery of the business strategy.

The policy going forward is to continue to pay base salary levels at or around market levels for those with similar responsibilities in comparable companies and to provide incentive opportunities targeted at key business measures which can provide levels of performance pay in line with market levels.

The following comprises the principal elements of executive remuneration for the period under review:

- base salary
- annual incentives (performance related)
- long term incentives in the way of share options
- benefits, including pension contribution, private health care, life and critical illness assurance and permanent health insurance.

Salaries should be reviewed annually by reference to business and personal performance, however no such review took place in 2002. Benefits are non-pensionable.

In determining the balance between those elements of the executive package which are, and those which are not, subject to performance the committee takes into consideration both the remuneration policy of the company and market practice.

Non-executive Directors Fees

The board as a whole determines the remuneration of the non-executive directors. Non-executive directors receive fees that are set relative to market practice. Non-executive directors are not eligible for any annual bonus, incentive payment, pension or other benefit.

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Non-executive fees are as follows.

Fees for Mr Rastegar are paid at a rate of £25,000 plus expenses specifically to cover travel from the United States to the United Kingdom in addition to normal business expenses.

Both Mr Hazell-Smith and Mr Hodges contractual entitlement is at a rate of £25,000 per annum of which £15,000 is payable in cash and £10,000 to be paid in shares in the company. The company did not have the approval of shareholders to issue shares during 2002 and therefore no issue has been made. If the appropriate resolutions are approved at the Annual General Meeting on the 10th June 2003 then the shares will be issued. If approval is not granted the contractual entitlement will be paid in full by cash as approved by the board.

The accounts of 2002 have not provided for the effect of those payments either by way of cash or shares.

Annual Bonus

Current Arrangements

Executive directors participate in the annual bonus plan, which is focused upon achievement of the annual profit plan as agreed with the board. In 2002 the performance threshold, below which no bonuses would be paid was set at 58% of profit plan, with maximum payments earned at 120% achievement of profit plan.

The maximum bonus opportunity was set at 50% of basic salary, annual bonus payments are non-pensionable.

There were no bonuses due or paid to directors for the 2002 year due to poor financial performance against targets.

Bonuses for 2003

The same scheme applies for 2003 as was used in 2002.

Long term rewards

Directors' interests in share options and warrants

The Company operates two share option schemes. No valid warrants are in issue at the Balance Sheet date. The interests of the Directors in share options at 31 December 2002, together with their interests at 31 December 2001 were as follows:

Options Table at 31 December 2002 and 31 December 2001.

	No of Options	Date of Grant	Price Granted	Exercisable Date	Expiry Date
J M Graham	4,988,981	17.03.99	0.93p	17.03.02	17.03.09
	3,000,000	17.03.99	1p	17.03.02	17.03.09
	8,530,000	04.05.01	0.58p	03.05.04	04.05.11
Total	16,518,981				
P A Hulme	4,988,981	17.03.99	0.93p	17.03.02	17.03.09
	3,000,000	17.03.99	1p	17.03.02	17.03.09
	8,530,000	04.05.01	0.58p	03.05.04	04.05.11
Total	16,518,981				

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.

Options are granted at market value, determined shortly before the option grant.

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Options awarded can be exercised within a period of not less than three years since grant and no more than 10 years of being granted. Options awarded prior to 1 January 2000 do not have a performance criteria. Options granted since 1 January 2000 cannot be exercised unless growth in market share price is attained at certain levels with the share price reaching and sustaining not less than 2 pence per ordinary share. Options granted prior to 1 January 2000 are exercisable at 31 December 2002. Options granted since 1 January 2000 have not yet met the time requirements nor the performance criteria required.

Retirement Benefits

Executive directors have a choice between:

- i) payment by the company to a pension fund of the directors choice at 9% of base salary.
- ii) cash supplement of 9% of base salary in lieu of payment to a pension fund of the directors choice.

The company does not operate a pension fund of any kind.

Directors' interests

The interests of the Directors in the ordinary shares of the Company at 31 December 2002, together with their interests at 31 December 2001 were as follows:

	Beneficial 31 December 2002	Non Beneficial 31 December 2002	Beneficial 31 December 2001	Non Beneficial 31 December 2001
F A Rastegar*	-	328,352,338	-	328,352,338
J M Graham	463,000	-	463,000	-
P A Hulme	750,000	-	750,000	-

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

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

	Compensation For Loss of Office £000's	Salary and Fees £'000	Other Benefits £'000	2002 Total £'000	2001 Total £'000
Executive:					
J M Graham	-	98	9	107	128
P A Hulme	-	98	9	107	125
Non-Executive:					
F A Rastegar	-	54	-	54	25
J R Clark	25	15	-	40	25
S Hazell-Smith	-	8	-	8	-
A Hodges	-	9	-	9	-
	25	282	18	325	314

Service contracts with directors are as follows:

Farzad Rastegar, Non-Executive Director has a service contract operating through Berkeley Capital Advisors Limited based in New York. The contract does not have a specific term and is subject to one month's notice of termination. No specific provision for compensation for loss of office or other additional significant payment is included within the contract in the event of termination.

Stephen Hazell-Smith, Non-Executive Director has a service contract which lasts for one year and thereafter for further periods of one year and is subject to three months notice of termination. No specific provision for compensation for loss of office or other additional significant payment is included within the contract in the event of termination.

Anthony Hodges, Non-Executive Director has a service contract operating through The Hodges Consultancy. The contract lasts for one year and thereafter for further periods of one year and is subject to three months notice of termination. No specific provision for compensation for loss of office or other additional significant payment is included within the contract in the event of termination.

John M Graham, Executive Managing Director has a service contract which does not have a specified term however the appointment is subject to usual retirement and re-election provisions. The contract is subject to six months notice in the event of termination. No specific provision for compensation for loss of office or other additional significant payment is included within the contract in the event of termination.

Pamela A Hulme, Executive Finance Director has a service contract which does not have a specified term however the appointment is subject to usual retirement and re-election provisions. The contract is subject to six months notice in the event of termination. No specific provision for compensation for loss of office or other additional significant payment is included within the contract in the event of termination.

The longest notice period for the Executive Directors is six months. The longest notice period for non-executive directors is three months.

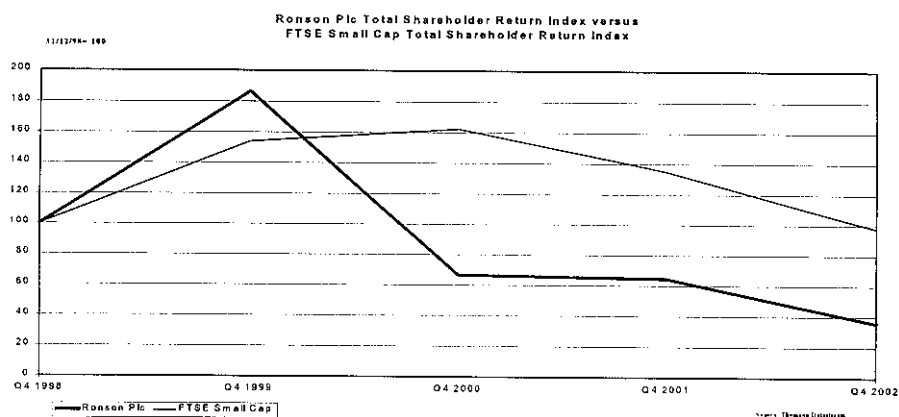
Performance Graph

In accordance with the UK Directors' Remuneration Report Regulations 2002, the graph below shows Ronson plc's total shareholder return ("TSR") performance compared with that of a broad equity index. The graph shows how the value of a notional investment of £100 in Ronson shares in December 1998 would have compared over time with the same investment in the FTSE Small Cap Index.

We have chosen the FTSE Small Cap Index to give a comparison with the returns that shareholders could have received by investing in a cross-section of UK companies.

The Regulations stipulate that the relative TSR graphs should show performance over five financial years. Ronson plc's share price dropped by over 99% between December 1997 and December 1998, following the breakdown in operational and financial control resulting in the need to refinance the Group. To make the graph meaningful we have shown TSR performance over the four years since December 1998 following the financing.

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A. Hodges
Chairman
Appointments and Remuneration Committee

30th April 2003

Report of the Directors

for the year ended 31 December 2002

The Directors present their report and the financial statements for the year ended 31 December 2002.

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 activities are given in the Managing Director's Review on page 2 and 3 and the Operating and Financial Reviews on pages 4 to 6.

The consolidated profit and loss account for the year is set out on page 21.

Dividends

The Directors have not declared a dividend in respect of the year ended 31 December 2002 (2001: £Nil).

Share Capital

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

Directors

The Directors who served during the year are as follows:

F A Rastegar	
J M Graham	
P A Hulme	
J R Clark	(resigned 7 th July 2002)
Stephen Hazell-Smith	(appointed 9 th July 2002)
Anthony Hodges	(appointed 9 th July 2002)

Biographical details of the current Directors are as follows:

Farzad Rastegar, 48, Non-Executive Director, 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. The board does not consider Mr Rastegar to be an independent director.

John M Graham, 38, Managing Director became a director on 13 May 1999. Mr Graham has been with the Ronson Group of companies for over thirteen 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 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. The board considers Mr Graham to be an independent director.

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Pamela A Hulme FCCA, 38, Finance Director became a director on 13 May 1999. Mrs Hulme has considerable experience in industry accounting and has worked for a number of diverse medium sized businesses at director level. Mrs Hulme has worked both in the public and private sectors specifically involved in establishing and implementing financial and management control systems. Pam Hulme is also Company Secretary for the Group. The board considers Mrs Hulme to be an independent director.

Stephen Hazell-Smith 49, Non-Executive Director became a director on the 9th July 2002. Until his retirement as Managing Director of Close Investment Limited in 2001 Stephen was a prominent fund manager in the UK small company world. He is currently Chairman of Hoodless Brennan and Partners Plc and Chairman of Pheonix VCT plc as well as being a Non-Executive Director of Close Brothers AIM VCT Plc. The board considers Mr Hazell-Smith to be an independent director.

Anthony Hodges 55, Non-Executive Director became a director on the 9th July 2002. Mr Hodges has a depth and breadth of marketing experience having worked over the years on many notable brands such as Gillette, Jaguar, London Gatwick and Vidal Sassoon. Anthony currently heads up the Hodges Consultancy Ltd. a strategic marketing consultancy specialising in branding and communications and is a Non-Executive Director of Locum Destination Consulting Ltd. The board considers Mr Hodges to be an independent director.

In accordance with the articles of association, Mr Graham retires by rotation and offers himself for re-election. Details of the Directors' service contracts are provided on page 11.

Directors' interests

The interests of the Directors in the ordinary shares of the Company at 31 December 2002, together with their interests at 31 December 2001 were as follows: Full disclosure of directors interests can be found on page 8 to 11 of the directors' remuneration report.

	Beneficial Interests 31 December 2002	Non Beneficial Interests 31 December 2002	Beneficial Interests 31 December 2001	Non Beneficial Interests 31 December 2001
F A Rastegar*	-	328,352,338	-	328,352,338
J M Graham	463,000	-	463,000	-
P A Hulme	750,000	-	750,000	-

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

Share price

The market price of the Company's shares at the end of the financial year was 0.40p and the range of market prices during the year was between 0.40p and 1.35p

Substantial shareholdings

At 24 April 2003 the Company had not been notified of any substantial shareholdings other than those disclosed in Directors' shareholdings 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' insurance

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

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 creditor days for the Group was 53 (2001: 58 days). The standard terms of trading with the majority of the Group's suppliers is 60 days (2001: 60 days).

Policy for communication with institutions and private investors.

The board makes appropriate announcements as is mandatory and necessary during the year via the London Stock Exchange Regulatory News Services. Additionally the board uses the forum of the Annual General Meeting to communicate directly with shareholders and to provide a forum for open discussion. Annual and Interim Report and Accounts are sent to shareholders and are available on request.

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 2002. The Directors also confirm that applicable accounting standards have been followed. The Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

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

Corporate governance

The Group is committed to high standards of corporate governance. The Board is accountable to the Group's shareholders for good corporate governance. The Directors confirm that Ronson plc supports the Combined Code on Corporate Governance ("the code") issued by the London Stock Exchange. It has not complied throughout the year with all of the code provisions set out in Section 1 of the code. The areas of non-compliance and the reasons for it are set out on page 17.

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The Board is responsible for the overall direction and strategy of the Group. Board meetings were temporarily chaired by Mr Clark during the first half of the year and by Mr Hazell-Smith during the second half. The Board has not yet found a suitable appointee for the position of Chairman of the Board. The Board were responsible for the execution of the Group's direction and strategy.

The board considers the non-executive directors to be independent with the exception of Mr Farzad Rastegar who controls voting rights over 30.54% the shares of Ronson Plc.

The following committees, which have terms of reference, deal with the specific aspect of the Group's affairs.

The Remuneration and Appointments Committee comprises the three Non-Executive Directors and is chaired by Mr Hodges. The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its costs. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The report on Directors' remuneration is set out on pages 8 to 12.

The Committee's duties in respect of appointments is to propose candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process.

The Audit Committee comprises the three Non-Executive Directors, and is chaired by Mr Hazell-Smith. Its prime tasks are to review the scope of the external audit, to receive regular reports from Baker Tilly, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgement and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

The committee, which meets at least three times per year, provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Managing Director and Finance Director when appropriate.

Going concern

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

Internal control and risk management

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

The 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 Group operates on a best practice basis in all aspects of the business and a culture of simplicity and clarity is promoted.

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

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

Compliance with Code Provisions

During the year under review the Group has complied with the provisions of the Combined Code save for the following:

Reference A.2.1

- During the first half of the year the Board comprised two executive directors and two non-executive directors. One non-executive director, Mr Rastegar, did not meet for regular business. The remainder of the Board met for regular business on a monthly basis. During the second half of the year the newly appointed Board met monthly for regular business.
- No senior independent director has been identified in the annual report.
- There has not been a Chairman of the board during the whole of the year.

Reference B.2.2

The Appointment and Remuneration Committee was not constituted in accordance with the code during the year as a non-executive member was not considered as independent by the board.

Reference D.3.1

- The Audit Committee was not constituted in accordance with the code during the first half of the year in that it consisted of the two non-executive directors and the executive finance director.

RONSON PLC ANNUAL REPORT & ACCOUNTS 2002

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

A handwritten signature in black ink, appearing to read 'P A Hulme', written in a cursive style.

P A Hulme FCCA
Company Secretary

30th April 2003

Independent Auditors' Report

to the Shareholders of Ronson plc

We have audited the financial statements on pages 21 to 36. We have also audited the disclosures required by Part 3, Schedule 7a Companies Act 1985 in the Directors' Remuneration Report under the headings Directors Interests in Share Options, Directors' Interests and Directors' Remuneration.

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 auditor's 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 directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of 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 group's corporate governance procedures or its risk and control procedures.

We read the 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, the unaudited part of the Directors' Remuneration Report, the Managing Director's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent mis-statements 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 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 and the part of the Directors' Remuneration Report to be audited. 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 company's circumstances, consistently applied and adequately disclosed.

RONSON PLC ANNUAL REPORT & ACCOUNTS 2002

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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the group profit for the year then ended; and
- the financial statements and those parts of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

30 April 2003

RONSON PLC ANNUAL REPORT & ACCOUNTS 2002

Consolidated Profit and Loss Account for the year ended 31 December 2002

	Notes	2002 £'000	2001 Restated £'000
Turnover	2	9,641	8,996
Cost of sales		6,103	5,467
Gross Profit		3,538	3,529
Distribution costs		(486)	(447)
Administrative expenses		(2,986)	(2,661)
Operating profit		66	421
Interest receivable	5	11	2
Interest payable	5	(62)	(33)
Profit on Ordinary Activities before Taxation	6	15	390
Tax on profit on ordinary activities	7	(11)	(123)
Profit on Ordinary Activities after Taxation Retained		4	267
Basic earnings per ordinary share	10	0.	0.
Fully diluted earnings per ordinary share	10	0.	0.

The turnover and operating result in both 2002 and 2001 relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	2002 £'000	2001 Restated £'000
Profit for the Financial year	4	267
Total gains relating to the year	4	267
Prior year adjustment (as explained in note 29)	483	
Total gains recognised since last annual report	487	

RONSON PLC ANNUAL REPORT & ACCOUNTS 2002

Balance Sheets
at 31 December 2002

	Note	Group		Company	
		Restated			
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fixed assets					
Intangible assets	11	111	179	-	-
Tangible assets	12	586	682	-	-
Investments	13	-	-	2,350	1,900
		<u>697</u>	<u>861</u>	<u>2,350</u>	<u>1,900</u>
Current assets					
Stocks	14	2,183	2,553	-	-
Debtors	15	1,684	1,938	-	-
Deferred taxation	17	479	483	-	-
Cash at bank and in hand		86	8	-	-
		<u>4,432</u>	<u>4,982</u>	<u>-</u>	<u>-</u>
Creditors:					
Amounts falling due within one year	16	(3,207)	(3,925)	(345)	(347)
		<u>1,225</u>	<u>1,057</u>	<u>(345)</u>	<u>(347)</u>
Net current assets/(liabilities)					
		<u>1,225</u>	<u>1,057</u>	<u>(345)</u>	<u>(347)</u>
Total assets less current liabilities		<u>1,922</u>	<u>1,918</u>	<u>2,005</u>	<u>1,553</u>
Provisions for liabilities and charges	17	(2)	(2)	-	-
		<u>1,920</u>	<u>1,916</u>	<u>2,005</u>	<u>1,553</u>
Capital and reserves					
Called up share capital	18	4,579	4,579	4,579	4,579
Share premium account	19	21,651	21,651	21,651	21,651
Special reserve	19	-	-	13,631	13,631
Profit and loss account	19	(24,310)	(24,314)	(37,856)	(38,308)
Equity shareholders' funds	20	<u>1,920</u>	<u>1,916</u>	<u>2,005</u>	<u>1,553</u>

The financial statements were approved by the Board of Directors on 30th April 2003 and were signed on its behalf by:



P A Hulme FCCA
Director

30 April 2003

Consolidated Cash Flow Statement
for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash outflow from operating activities	21	<u>(210)</u>	<u>(176)</u>
Returns on investments and servicing of finance			
Interest received		11	2
Interest paid		<u>(62)</u>	<u>(33)</u>
		<u>(51)</u>	<u>(31)</u>
Taxation			
UK corporation tax received		-	-
Overseas corporation tax paid		<u>-</u>	<u>(4)</u>
		<u>-</u>	<u>(4)</u>
Capital expenditure			
Purchase of tangible and intangible fixed assets		<u>(78)</u>	<u>(359)</u>
		<u>(78)</u>	<u>(359)</u>
 Cash outflow before financing		 <u>(339)</u>	 <u>(570)</u>
Financing			
Debt due within one year: increase in short term borrowings		1,029	-
Proceeds from the issue of ordinary share capital		<u>-</u>	<u>1</u>
Net cash inflow from financing		<u>1,029</u>	<u>1</u>
 Increase/(decrease) in cash in the year	22	 <u>690</u>	 <u>(569)</u>

Notes to the Financial Statements
for the year ended 31 December 2002

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 2002. 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 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.

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

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

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

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

During the year the group reviewed all categories of assets and the depreciation rates applied. As a result of this review certain assets capitalised under the heading of Equipment, fixtures and fittings have had the rate of depreciation changed from 20% reducing balance to 15% straight line. This has resulted in an increase to depreciation of £15,575 by using the new depreciation rate.

Investments

Investments are stated at cost less provision for impairment.

Notes to the Financial Statements
for the year ended 31 December 2002

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.

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

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

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.

Notes to the Financial Statements
for the year ended 31 December 2002

2 Turnover

Analysis by geographical area

The Group's turnover and result were generated from its operations in the United Kingdom, Poland and Germany. £8,301,000 of turnover was generated in the United Kingdom, £1,089,000 in Poland and £251,000 in Germany. The United Kingdom operation generated a profit on ordinary activities of £39,000 whilst the Poland operation generated a profit of £18,000 and Germany generated a loss of £22,000. £1,869 of the Group's net assets is held in the United Kingdom, £56,000 in Poland and net liabilities of £5,000 in Germany.

A geographical analysis of turnover by destination is given below:

	2002 £'000	2001 £'000
United Kingdom	4,667	4,630
Rest of Europe	4,147	3,424
Asia	207	109
Rest of the World	620	833
	9,641	8,996

3 Directors' emoluments

	2002 £'000	2001 £'000
Fees	86	61
Emoluments for management services (including allowances)	196	235
Pension contributions	18	18
Compensation for loss of office	25	-
	325	314

Full details of Directors' emoluments are set out in the Directors' Remuneration Report on pages 8 to 12.

Notes to the Financial Statements
for the year ended 31 December 2002

4 Employee information

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

	2002 Number	2001 Number
By activity		
Warehouse	4	4
Selling and management	18	15
Administration	14	17
	<u>36</u>	<u>36</u>
	2002 £'000	2001 £'000
Staff costs		
Wages and salaries	1,161	941
Social security costs	128	106
Other pension costs	46	44
	<u>1,335</u>	<u>1,091</u>

5 Interest receivable and payable

	2002 £'000	2001 £'000
Interest receivable	<u>11</u>	<u>2</u>
Interest payable and similar charges:		
On bank loans and overdrafts	(60)	(33)
On finance leases	(2)	-
	<u>(62)</u>	<u>(33)</u>

6 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
- Tangible owned fixed assets	149	122
- Tangible leased fixed assets	2	-
Amortisation of development expenditure	91	8
Auditor's remuneration (including expenses) for:		
- Audit	50	31
- Other services	37	7
Research and development expenditure	19	54
Hire of plant and machinery - operating leases	81	74
Hire of other assets - operating leases	83	85

The audit fee includes £15,000 (2001: £10,000) in respect of the Company.

Notes to the Financial Statements
for the year ended 31 December 2002

7 Tax on ordinary activities

	2002 £'000	2001 £'000
Current Tax		
UK corporation tax on profit of period	-	-
Overseas taxation	7	4
Current tax charge for the year	7	4
Transfer from deferred taxation	4	119
Tax on profit on ordinary activities	11	123
Factors affecting tax charge for the period		
The tax assessed for the period is higher than the standard rate of Corporation tax in the UK of 30% as explained below:		
Profit on ordinary activities before tax	15	390
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 : 30%)	5	117
Effects of:		
Expenses not deductible for tax purposes	8	5
Capital allowances less/(more) than depreciation	45	(34)
Other tax adjustments	3	2
Losses utilised	(54)	(86)
Current tax charge for the period	7	4

It is estimated that the Group has taxable losses of £13.8m carried forward and available for offset against future trading profits.

8 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 profit for the financial year was £452,000 (2001: profit £358,000)

9 Dividends

No dividend has been paid or is proposed in respect of the year ended 31 December 2002 (2001: £Nil).

10 Earnings per ordinary share

Profit per ordinary share has been calculated by reference to 1,075,197,407 weighted average ordinary shares in issue (2001: 1,068,530,740) and profits of £4,000 (2001: profit £267,000 as restated).

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

Notes to the Financial Statements
for the year ended 31 December 2002

11 Intangible fixed assets

Group	
Development Costs	Total £'000
Cost	
1 January 2002	187
Additions	23
31 December 2002	210
Amortisation	
1 January 2002	8
Charge for the year	91
31 December 2002	99
Net book value	
31 December 2002	111
31 December 2001	179

12 Tangible fixed assets

Group	Short leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2002	45	1,148	1,193
Additions	-	55	55
At 31 December 2002	45	1,203	1,248
Depreciation			
At 1 January 2002	29	482	511
Charge for year	9	142	151
At 31 December 2002	38	624	662
Net book value			
At 31 December 2002	7	579	586
At 31 December 2001	16	666	682

The net book value of equipment, fixtures and fittings includes £12,169 (2001: £nil) in respect of assets held under finance leases.

Company

The net book value of tangible fixed assets is £Nil for 2002 (2001: £Nil).

Notes to the Financial Statements
for the year ended 31 December 2002

13 Investments

Company

	2002	2001
	£'000	£'000
At cost less provision for impairment		
At 1 January 2002	1,900	1,600
Impairment provision released	450	300
Net book value		
At 31 December 2002	2,350	1,900

The historical cost of investments is £28,651,000 (2001: £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 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 owned by Ronson plc.

Ronson Polska SP 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 owned by Ronson International Limited.

14 Stocks

Group

	2002	2001
	£'000	£'000
Finished goods and goods for resale	2,183	2,553
	2,183	2,553

15 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,277	1,762	-	-
Other debtors	201	23	-	-
Prepayments and accrued income	206	153	-	-
	1,684	1,938	-	-

Notes to the Financial Statements
for the year ended 31 December 2002

16 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank overdrafts	-	612	-	-
Other loans	1,034	5	-	-
Trade creditors	1,073	1,817	-	-
Amounts owed to group undertakings	-	-	275	277
Other taxation and social security	401	456	-	-
Other creditors	78	67	56	56
Accruals and deferred income	621	968	14	14
	3,207	3,925	345	347

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

Included within other loans are amounts due from debt factors which are secured on trade debtors with a value of £358,000

17 Deferred taxation

	2002	2001
	£'000	£'000
Balance at 1 January 2002 (as restated)	481	600
Transfer to profit and loss	(4)	(119)
Balance at 31 December 2002	477	481

	2002	2001
	£	£
Provision for deferred tax comprises:		
Excess of tax allowances over depreciation	(2)	(2)
Tax losses carried forward	479	483
Net deferred tax asset	477	481

The deferred tax liability of £2,000 arises in Ronson Polska SP z.o.o. and is therefore shown separately as required by the Financial Reporting Standard 19.

Notes to the Financial Statements
for the year ended 31 December 2002

18 Called up share capital

	2002	2001
	£'000	£'000
Authorised		
131,644,977,062 ordinary shares of 0.01p each	13,164	13,164
136,984,020 deferred shares of 4.99p each	6,836	6,836
	20,000	20,000
Allotted, issued and fully paid		
1,075,197,407 ordinary shares of 0.01p each	108	108
89,596,203 deferred shares of 4.99p each	4,471	4,471
	4,579	4,579

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 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

Warrants

Warrants to subscribe for ordinary shares of 1p each were in issue until 27 May 2001.

These warrants lapsed on the death of Mr V Kiam.

The number of warrants outstanding at 31 December 2002 was Nil (2001: Nil)

19 Share premium account and reserves

Group

	Share Premium Account	Profit and loss account
	£'000	£'000
At 1 January 2002 as previously stated	21,651	(24,797)
Prior year adjustment	-	483
At 1 January 2002 as restated	21,651	(24,314)
Profit for the year	-	4
At 31 December 2002	21,651	(24,310)

Notes to the Financial Statements
for the year ended 31 December 2002

19 Share premium account and reserves (continued)

Company	Share Premium Account £'000	Special reserve £'000	Profit and loss account £'000
At 1 January 2002	21,651	13,631	(38,308)
Profit for the year	-	-	452
At 31 December 2002	21,651	13,631	(37,856)

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.

20 Reconciliation of movements in shareholders' funds

Group	2002 £'000	2001 £'000
Proceeds from the issue of shares	-	1
Profit for the year	4	267
Net increase to shareholders' funds	4	268
Opening shareholders' funds (originally £1,433,000 before adding prior year adjustment of £483,000)	1,916	1,648
Closing shareholders' funds	1,920	1,916

21 Reconciliation of operating profit to net cash outflow from operating activities

	2002 £'000	2001 £'000
Operating profit	66	421
Depreciation of tangible fixed assets	151	122
Amortisation on intangible assets	91	8
(Increase)/decrease in stocks	370	(803)
(Increase)/decrease in debtors	254	(801)
Increase/(decrease) in creditors	(1,142)	877
Net cash outflow from operating activities	(210)	(176)

22 Reconciliation of net cash flow to movement in net debt

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the year	690	(569)
Cash inflow from increase in debt	(1,029)	-
Change in net cash resulting from cashflows	(339)	(569)
Net debt at 1 January 2002	(609)	(40)
Net debt at 31 December 2002	(948)	(609)

Notes to the Financial Statements
for the year ended 31 December 2002

23 Analysis of net funds/(debts)

	At 1 January 2002 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 2002 £'000
Cash at bank and in hand	8	78	-	86
Overdrafts	(612)	612	-	-
	(604)	690	-	86
Debt due within one year	(5)	(1,029)	-	(1,034)
Total	(609)	(339)	-	(948)

24 Capital commitments

Group

There were no capital commitments at 31 December 2002.

25 Contingent liabilities

Group undertakings have provided guarantees to HM Customs and Excise totalling £200,000 (2001: £200,000).

The Company has provided unlimited guarantees for the borrowing of its subsidiary undertakings. As at 31 December 2002, subsidiary undertakings had borrowings of £771,981 which were subject to this guarantee (2001: borrowings of £611,868).

At the year end the Group had commitments relating to documentary credits not included within creditors totalling £204,764.

The lease on the group's premises in the United Kingdom expires on 27 September 2003. As required by the lease, the company has been served with a notice of termination and the directors have applied for an extension to this lease. Should the company vacate the premises, dilapidation costs would be incurred under the terms of the lease at that date. At this time, no reliable estimate of the cost of dilapidations is available.

As at the year-end, the group had entered into formal arrangements with overseas suppliers to import goods into the European Union in advance of the potential implementation of increased importation duties as disclosed in the managing director's report on page 3.

26 Financial commitments

At 31 December 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Expiring within one year	62	-	2	-
Expiring between one and five years	-	83	61	17
	62	83	63	17

Notes to the Financial Statements
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27 Financial instruments

Interest rate and exchange rate risk.

At 31 December 2002 the interest rate and currency profile of the Group's financial assets and liabilities were as follows:

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial assets			
Cash and bank deposits	-	-	-
denominated in sterling	-	-	-
denominated in US dollars	73	-	73
denominated in Euros	75	-	75
denominated in Yen	2	-	2
	150	-	150

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial assets			
Factoring			
denominated in US dollars	-	12	12
denominated in Euros	-	30	30
	-	42	42

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial liabilities			
Cash and bank deposits			
denominated in sterling	-	126	125
	-	126	125

Notes to the Financial Statements
for the year ended 31 December 2002

28 Financial instruments (continued)

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial liabilities			
Loans			
denominated in US dollars	-	695	695
Factoring			
denominated in sterling	-	270	270
	-	965	965

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

At 31 December 2001 the comparative interest rate and currency profile for the Group's financial assets and liabilities were as follows:

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial assets			
Cash and bank deposits	723	-	723
	723	-	723

	Interest free £'000	Floating interest rates £'000	Total £'000
Financial liabilities			
Cash and bank deposits			
denominated in US dollars	-	1,100	1,100
denominated in Euros	-	225	225
denominated in Yen	-	9	9
	-	1,334	1,334

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

The group does not trade in financial instruments, but holds bank accounts in foreign currencies.

28 Prior Period Adjustment

Following the introduction of Financial Reporting Standard 19, the Group has taken credit for a proportion of the value of its tax losses. This is a change in accounting policy and has resulted in a prior year adjustment of £483,000. The change in policy has created a deferred tax asset of £479,000 (2001: £483,000) and a deferred tax charge to taxation in the year of £4,000 (2001: £117,000).