

Ronson International Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2002



Company Registration No. 2860221

Ronson International Limited

DIRECTORS' AND OFFICERS

DIRECTORS

J M Graham
P A Hulme
B D Jenkinson (appointed 21 January 2002)

SECRETARY

P A Hulme

COMPANY NUMBER

2860221 (England and Wales)

REGISTERED OFFICE

International House
Old Brighton Road
Lowfield Heath
Crawley
West Sussex
RH11 0QN

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

BANKERS

HSBC Bank Plc
9 The Boulevard
Crawley
West Sussex
RH10 1UT

Ronson International Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Ronson International Limited for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The directors are disappointed with the results of the year. Growth in the core markets was experienced as a result of the Company's strategy to protect and develop the Ronson brand however this strategy has had to be executed within severe financial constraints which has prevented additional marketing expenditure, further product development or category diversification.

The Board is looking at opportunities to improve trading for the coming year and reduce the cost structure of the Company.

The Polish subsidiary company continues to trade well and showing an improvement on the previous year.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £33,000 (2001: £160,000).

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 January 2002:

J M Graham
P A Hulme
B D Jenkinson (appointed 21 January 2002)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors' interests in the share of the ultimate parent company, Ronson Plc are disclosed in the financial statements of that company.


PAYMENT TO SUPPLIERS

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The average creditor days for the company is 53 days (2001: 58 days). The standard terms of trading with the majority of the company's suppliers is 60 days (2001: 60 days).

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 on 30 April 2003



P A Hulme
Secretary

Ronson International Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires 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 of the profit or loss of the company for that period. In preparing those financial statements, directors are required to:

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

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

AUDITORS' REPORT TO THE MEMBERS OF RONSON INTERNATIONAL LIMITED

We have audited the financial statements on pages 6 to 17

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 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 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. 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 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley
West Sussex
RH10 6AD

30 April 2003

Ronson International Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	Notes	2002 £'000	2001 Restated £'000
TURNOVER	1	9,084	8,812
Cost of sales		6,008	(5,516)
Gross profit		3,076	3,296
Other operating expenses (net)	2	(3,012)	(3,020)
OPERATING PROFIT		64	276
Investment income	3	1	34
			310
Interest payable	4	(28)	(33)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	37	277
Taxation	7	(4)	(117)
PROFIT FOR THE FINANCIAL YEAR		33	160

The operating result for the year arises from the company's continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2002

		2002 £'000	2001 Restated £'000
Profit for the financial year		33	160
Prior year adjustment	23	483	
Total gains recognised		516	

Ronson International Limited

BALANCE SHEET

31 December 2002

	Notes	2002 £'000	2001 Restated £'000
FIXED ASSETS			
Intangible assets	8	111	179
Tangible assets	9	576	681
Investments	10	26	10
		<u>713</u>	<u>870</u>
CURRENT ASSETS			
Stocks	11	1,911	2,252
Debtors	12	2,415	2,613
Deferred taxation	15	479	483
Cash at bank and in hand		29	4
		<u>4,834</u>	<u>5,352</u>
CREDITORS: Amounts falling due within one year	13	(3,423)	(4,131)
		<u>1,411</u>	<u>1,221</u>
NET CURRENT ASSETS			
		<u>2,124</u>	<u>2,091</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due in more than one year	14	(34,097)	(34,097)
		<u>(31,973)</u>	<u>(32,006)</u>
CAPITAL AND RESERVES			
Called up share capital	16	785	785
Share premium account	17	675	675
Goodwill write-off reserve	17	(17,061)	(17,061)
Profit and loss account	17	(16,372)	(16,405)
		<u>(31,973)</u>	<u>(32,006)</u>

Approved by the board on 30 April 2003



P A HULME

Director

Ronson International Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

These accounts present information about the company as an individual undertaking, and not about its group, as the company has taken advantage of the exemption provided by Section 228 of the Companies Act 1985, not to prepare group accounts, as it is a subsidiary undertaking of Ronson plc, a company registered in England and Wales, and is included in the consolidated accounts of that company.

INTANGIBLE FIXED ASSETS

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

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

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

During the year the company 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.

STOCKS

Stocks are valued 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

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 company's taxable profits and its results as stated in the financial statements.

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.

Ronson International Limited

ACCOUNTING POLICIES

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

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.

PENSION CONTRIBUTIONS

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.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction except where the rate of exchange is fixed by a relevant matching forward exchange contract. All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All recognised exchange differences are taken to the profit and loss account.

GOODWILL

Goodwill arising on acquisition represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisitions was written off against reserves.

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

Any goodwill arising from future acquisitions will be capitalised and written off over its useful life.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Ronson International Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

1	TURNOVER	2002	2001
	Geographical segment by destination:	£'000	£'000
	United Kingdom	4,667	5,165
	Rest of Europe	3,590	2,935
	Asia	207	73
	Rest of World	620	639
		<u>9,084</u>	<u>8,812</u>

Turnover and other operating expenses for 2001 have been restated to include license fees and distribution income previously included in operating expenses. Accordingly turnover and operating expenses have increased by £597,000 for the year ended 31 December 2001.

2	OTHER OPERATING EXPENSES (NET)	2002	2001
		£'000	£'000
	Distribution costs	486	447
	Administration expenses	2,526	2,573
		<u>3,012</u>	<u>3,020</u>

3	INVESTMENT INCOME	2002	2001
		£'000	£'000
	Income from group undertakings	-	33
	Bank interest receivable	1	1
		<u>1</u>	<u>34</u>

4	INTEREST PAYABLE	2002	2001
		£'000	£'000
	On bank overdrafts and advances from factors	28	33
		<u>28</u>	<u>33</u>

Ronson International Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £'000	2001 £'000
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Profit on ordinary activities before taxation is stated after charging:

Depreciation and amounts written off tangible fixed assets:

Charge for the year:

owned assets	144	122
Research and development	19	54
Operating lease rentals:		
Plant and machinery	81	74
Other assets	83	85
Auditors' remuneration:		
Audit services	35	21
Other services	37	7
Amortisation	91	8

6	EMPLOYEES	2002 No	2001 No
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The average weekly number of persons (including directors) employed by the company during the year was:

Production, manufacturing and warehousing	4	4
Administration	14	17
Selling and management	18	15
	<u>36</u>	<u>36</u>

	2002 £'000	2001 £'000
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Staff costs for the above persons:

Wages and salaries	764	861
Social security costs	107	107
Other pension costs	28	9
	<u>899</u>	<u>977</u>

Directors' remuneration:

Emoluments for qualifying service	56,137
Money purchase pension contributions	4,982

Amounts paid to directors	<u>61,119</u>
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The company paid money purchase pension contributions in respect of one director.

Only one director was remunerated by Ronson International Limited during the year. Details of the other directors' remuneration are included in the financial statements of other group undertakings.

Ronson International Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

7	TAXATION	2002 £'000	2001 £'000
	Current tax		
	UK corporation tax on profit of period	-	-
	Overseas taxation		
	Current tax charge for the year	-	-
	Transfer from deferred taxation	4	117
	Tax on profit on ordinary activities	4	117
	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	37	277
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	11	83
	Effects of:		
	Expenses not deductible for tax purposes	5	3
	Capital allowances less/(more) than depreciation	45	(33)
	Other tax adjustments	-	(54)
	Losses utilised	(61)	(1)
	Current tax charge for the period	-	-

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

8	INTANGIBLE FIXED ASSETS	<i>Development costs</i> £'000
	Cost	
	1 January 2002	187
	Additions	23
	31 December 2002	210
	Amortisation	
	1 January 2002	8
	Charge in year	91
	31 December 2002	99
	Net Book Value	
	31 December 2002	111
	31 December 2001	179

Ronson International Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

9	TANGIBLE FIXED ASSETS	<i>Long leasehold land & buildings £'000</i>	<i>Equipment fixtures & fittings £'000</i>	<i>Total £'000</i>
	Cost			
	1 January 2002	45	1,147	1,192
	Additions	-	39	39
	Disposals	-	-	-
	31 December 2002	45	1,186	1,231
	Depreciation			
	1 January 2002	29	482	511
	Charged in the year	9	135	144
	Disposals	-	-	-
	31 December 2002	38	617	655
	Net book value			
	31 December 2002	7	569	576
	31 December 2001	16	665	681

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

10	INVESTMENTS	2002 £'000	2001 £'000
	Cost and net book value		
	1 January 2002	10	10
	Additions	16	-
	31 December 2002	26	10

The company holds 100% of the share capital of the following companies:

Company	Country of Registration	Class of Share held	Aggregate capital and Reserves	Profit for the year
Ronson Polska SP.z.o.o.	Poland	100 Zlotty ordinary shares	55,736	10,910
Ronson GmbH	Germany	1 Euro ordinary share	2,051	(14,244)

Ronson International Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

11	STOCKS	2002 £'000	2001 £'000
	Finished goods and goods for resale	1,911	2,252
12	DEBTORS	2002 £'000	2001 £'000
	Due within one year:		
	Trade debtors	1,069	1,604
	Amounts owed by group undertakings	1,012	866
	Other debtors	155	5
	Prepayments	179	138
		2,415	2,613
13	CREDITORS: Amounts falling due within one year	2002 £'000	2001 £'000
	Bank overdraft	-	612
	Other loans	1,034	-
	Trade creditors	1,051	1,799
	Amounts owed to parent company and fellow subsidiaries	325	325
	Other taxation and social security costs	399	451
	Other creditors	9	4
	Accruals and deferred income	605	940
		3,423	4,131

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

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

14	CREDITORS: Amounts falling in more than one year	2002 £'000	2001 £'000
	Amounts owed to parent company and fellow subsidiaries	34,097	34,097

Amounts owed to parent company and fellow subsidiaries have no fixed repayment terms, are unsecured and interest free.

Ronson International Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

15	DEFERRED TAXATION	2002 £'000	2001 £'000	
	Balance at 1 January 2002 (as restated)	483	600	
	Transfer to profit and loss	(4)	(117)	
	Balance at 31 December 2002	<u>479</u>	<u>483</u>	
	Provision for deferred tax comprises:			
	Tax losses carried forward	479	483	
	Deferred tax asset	<u>479</u>	<u>483</u>	
16	SHARE CAPITAL	2002 £'000	2001 £'000	
	Authorised: 15,707,900 ordinary shares of 5p each	<u>785</u>	<u>785</u>	
	Allotted, issued and fully paid: 15,707,900 ordinary shares of 5p each	<u>785</u>	<u>785</u>	
17	RESERVES	<i>Share premium account £'000</i>	<i>Goodwill write-off reserve £'000</i>	<i>Profit & loss account £'000</i>
	1 January 2002 as previously stated	675	(17,061)	(16,888)
	Prior year adjustment	-	-	483
	At 1 January 2002 as restated	<u>675</u>	<u>(17,061)</u>	<u>(16,405)</u>
	Profit for the year	-	-	33
	At 31 December 2002	<u>675</u>	<u>(17,061)</u>	<u>(16,372)</u>
18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £'000	2001 Restated £'000	
	Profit/(Loss) after taxation	33	160	
	Opening equity shareholders' funds	(32,006)	(32,166)	
	Closing equity shareholders' funds	<u>(31,973)</u>	<u>(32,006)</u>	

Ronson International Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

19 CAPITAL COMMITMENTS

No capital commitments were contracted for at 31 December 2002 (2001: £nil)

20 CONTINGENT LIABILITIES

The company have provided guarantees to H M Customs & Excise totalling £200,000 (2001: £200,000).

The company has provided unlimited guarantees for the borrowing of its parent undertakings. As at 31 December 2002, parent undertakings had borrowings of £nil which were subject to this guarantee (2001: borrowings of £nil).

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

The lease on the companies premises 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 company 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.

21 COMMITMENTS UNDER OPERATING LEASES

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

	2002 £'000	2001 £'000
Plant and machinery		
expiring within one year	2	9
expiring in the second to fifth year	61	8
Land and buildings		
expiring within one year	62	-
expiring in the second to fifth year	-	83
	<hr/> 125	<hr/> 100
	<hr/>	<hr/>

22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 that transactions with companies 90% or more of whose voting rights are controlled within the group do not need to be disclosed.

23 PRIOR PERIOD ADJUSTMENT

Following the introduction of Financial Reporting Standard 19, the company 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).

Ronson International Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

24 ULTIMATE PARENT COMPANY

The directors regard Ronson plc, a company registered in England and Wales, as the ultimate parent company. Copies of Ronson plc's consolidated financial statements may be obtained from:

International House
Old Brighton Road
Lowfield Heath
Crawley
West Sussex
RH11 0QN