Titon Holdings Plc
2005 Report & Accounts

Titon®

Annual Report and Financial Statements
for the year ended 30 September 2005

Contents

Chairman's Statement

Trickle ventilation

Financial Performance

I am pleased to report that profit before taxation for the year to 30 September 2005 was up by 11.1% at £1.18 million (2004: £1.06 million). The improvement in profit was achieved on a relatively unchanged turnover of £16.44 million (2004: £16.40 million). Earnings per share are up by 12.5% at 8.09p (2004: 7.19p).

Net cash as at 30 September 2005 was £3.36 million (2004: £3.31 million) and the Directors are proposing a final dividend of 4.8p per ordinary share (2004: 4.8p), making a total of 7.1p for the year (2004: 7.1p). The dividend will be payable on 24 February 2006 to shareholders on the register on 3 February 2006. The ex-dividend date will be 1 February 2006. The Directors recognise the importance of the dividend to many shareholders and are committed to maintaining the current level of dividends provided that the Company's financial position allows.

New automated production

> "Our improved profit performance has been assisted by measures taken last year..."

Trading Commentary

Sales into our traditional UK window market have fallen slightly this year as the demand for windows has reduced in line with the general slow down in the economy. The indications are that this downturn is across certain market segments and has affected both timber and PVCu manufacturers.

Our improved profit performance has been assisted by the measures taken last year to reduce our cost base and improve our manufacturing efficiency. The readily available supply of products from outside the UK dictates that ongoing reductions in manufacturing costs must continue if we are to substantially maintain our manufacturing base in this country. To this end, we have invested in further significant automation of our production and packaging processes, which will continue in 2006. In parallel with UK manufacturing investment, we will continue to seek cost effective supply options from overseas where appropriate.

Towards the end of the reporting period we have actively pursued a policy of investment in our Sales and Marketing activities.

Permanent exhibition stand at 'The Building Centre', London

Our Commercial team, with its focus on the less price sensitive aluminium window market, has been expanded by the provision of two additional sales personnel. Similarly, we are building on the early signs of promise from our Ventilation Division with a further two experienced sales staff. These additional appointments, and the re-organisation that has accompanied them, will allow the remainder of our sales team to better focus on the opportunities that will occur when the much discussed changes in Building Regulations are finalised. In addition to the increase in front-line sales personnel, we have recently commenced a major marketing initiative, which will culminate in the launch of new trickle ventilator products early in 2006.

I am also pleased to announce that our Export Sales have increased yet again during the year and now account for 11% of Group Sales. New opportunities have been identified and additional resources will be allocated to this important part of our business over the coming year.

Employees

The changes that the Company has initiated over the past two years have required increased effort and resolve from our employees in all areas of the business. Our employees are all very much part of these improved results and I should like to thank them all most sincerely for their considerable efforts. Employee numbers are 255 at 30 September 2005, down from 265 at 30 September 2004.

Regulation Change

For the past two years I have been advising Shareholders of the forthcoming changes to Part F of the Building Regulations for England and Wales. It is this Regulation that is the driver for sales of many of our ventilation products, and I am now able to report that the Interim Draft of the document was published in September with a proposed implementation date of April 2006.

> "...we have recently commenced a major marketing initiative..."

Advertising and Direct Marketing campaign

Residential applications

Chairman's Statement (continued)

PAX ultra quiet extract fan

Although the document is still in draft form, it has given the Company some direction as to future market requirements and has enabled us to commence the development of major new product lines. Although the draft document calls for trickle ventilators to be installed in domestic replacement windows, it is too early to be sure that there will be an overall favourable outcome for the Company.

"The Board of Directors believe that the Company is well placed to meet this challenge."

Prospects

As we enter a new trading period, it is increasingly clear that the UK domestic window market is being affected by a general weakening of consumer confidence and by reduced capital spending. However, predicted growth in our exports, our powered ventilation and our commercial sales activities gives us some optimism for the future.

Warehousing at Haverhill

As explained above, the effect of UK Regulation change on our business is not yet apparent and is causing some uncertainty in the marketplace in the short term. This, combined with the general slowdown, will ensure that 2006 is a challenge for the Company. The Board of Directors believe that the Company is well placed to meet this challenge.

John Anderson
Chairman
7 December 2005

Select handles

Directors' Report

The Directors present their report and the Group financial statements for the year ended 30 September 2005.

Results and dividends

The consolidated profit and loss account is set out on page 20 and shows a profit, after taxation, of £852,000 (2004: £757,000) for the year.

The Directors recommend the payment of a final ordinary dividend of 4.8p (2004: 4.8p) per ordinary share. This, when taken with the interim dividend of 2.3p (2004: 2.3p) per ordinary share paid on 1 July 2005, gives a total dividend of 7.1p (2004: 7.1p) per ordinary share for the year ended 30 September 2005.

Principal activities, trading review and future developments

The principal activities of the Group are the design, manufacture and marketing of ventilation products, window fittings and accessories.

The Directors consider that the result for the year is a satisfactory achievement in view of the competitive UK market in which the Group predominantly operates. A more comprehensive review of the year and likely future developments are set out in the Chairman's Statement on pages 2 to 4.

Directors' responsibilities in respect of the financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has 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 financial statements.

Market value of land and buildings

The Directors do not consider that there is any significant difference between the market value of freehold land and buildings and their net book value, as shown in the financial statements.

Research and development

The Directors consider that research and development continues to play an important role in the Group's success. Investment in research and development amounted to £478,000 during the year (2004: £525,000).

Directors' Report (continued)

Disabled employees

The Group gives full consideration to the career development and promotion of disabled persons, and to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

The Group considers the training requirements of each disabled person on an individual basis.

Where an employee becomes disabled during the course of his or her employment, the Group will consider providing that employee with such means, including appropriate training, as will enable the employee to continue to carry out his or her job, where it reasonably can, or will attempt to provide an alternative suitable position.

Employee involvement

Employees are provided with information about the Group's activities via the Employee Consultative Committee, other staff meetings and staff notice boards. The Group aims to foster an environment in which employees and management can enjoy a free flow of information and ideas.

Staff members are, from time to time, invited to participate in the Group's share option schemes. Participation is based on seniority and length of service.

Directors and their interests in shares

The Directors of the Company during the year and their beneficial interests in the ordinary share capital were as follows:

	30 September 2005 Ordinary shares of 10p each	30 September 2004 or date of appointment if later Ordinary shares of 10p each
J N Anderson	2,237,802	2,237,802
T N Anderson	192,500	192,500
R Brighton	20,000	34,000
P W E Fitt	-	-
N C Howlett	10,000	10,000
C S Jarvis	66,500	66,500
C J Martin	45,000	45,000
K A Ritchie (Appointed 7 February 2005)	1,077,280	1,077,280
D A Ruffell	71,000	71,000
P E O'Sullivan	-	-

Details of Directors' share options are given in the Directors' Remuneration Report on page 12.

There were no changes in Directors' beneficial shareholdings between 30 September 2005 and 20 December 2005.

Substantial shareholders

As at 13 December 2005, the Company has been notified pursuant to the provisions of the Companies Act 1985 of the following holdings, other than Directors' holdings, of 3 per cent or more in the ordinary share capital of the Company.

Name	Shares	%
Discretionary Unit Fund Managers Ltd	2,065,000	19.6
Mrs A Clipsham	903,579	8.6

Donations

During the year the Group made various charitable donations amounting to £2,458 (2004: £2,754).

Creditor payment policy

The majority of suppliers to the Group are of a long standing nature with whom mutually acceptable payment terms have been established over the relationship period. Generally payments will be made between 30 and 60 days from the end of the month of delivery. In certain circumstances payment terms will be agreed with suppliers as part of the overall terms of a transaction, and will be adhered to by the Group. The Company does not make any trade purchases.

In respect of the Group, year end trade creditors represent 55 days average purchases.

International Financial Reporting Standards

The interim accounts for the six months ended 31 March 2006 are the first financial statements the Group will be required to produce under IFRS. The Group will publish a statement of the impact on the results due to changes in accounting treatment with the six month results.

Annual General Meeting

The Annual General Meeting will be held at the Company's registered office on 20 February 2006 commencing at 10.00 a.m. You will find on page 36 of this document a Notice convening the Annual General Meeting of the Company for 2006.

There are a number of items of ordinary business to be dealt with at the Annual General Meeting. These are set out in Resolutions 1 to 7 in the Notice of Meeting.

Resolutions 3 to 6 are resolutions to re-elect Mr J N Anderson, Mr N C Howlett, Mr R Brighton and Mr K A Ritchie as Directors. The Company's Articles of Association require one third of the Directors to retire from office at each Annual General Meeting. Brief biographical details of each of the Directors standing for re-election may be found on page 16.

Resolution 7 is a resolution to re-appoint Ernst & Young LLP as auditors. This resolution proposes that Ernst & Young LLP should be re-appointed as the Company's auditors and authorises the Directors to determine their remuneration.

There are four items of special business to be dealt with at the Annual General Meeting. These are set out in Resolutions 8 to 11 in the Notice of the Meeting.

Directors' Report (continued)

Annual General Meeting (continued)

Resolution 8, which will be proposed as an Ordinary Resolution, will renew the Directors' authority to allot relevant securities up to an aggregate nominal amount of £250,000 being equivalent to approximately 23.7% of the current issued share capital (calculated exclusive of treasury shares). The Company does not currently hold any shares in treasury. This authority will expire on the date of the next Annual General Meeting of the Company or on 19 May 2007, whichever is earlier. There is no intention at present of making any issues of shares other than on the exercise of employee share options.

Resolution 9, which will be proposed as a Special Resolution, will renew the disapplication of the statutory pre-emption rights. It will permit the Directors, until the next Annual General Meeting of the Company or on 19 May 2007, whichever is earlier, to allot shares otherwise than in accordance with the statutory pre-emption rights in connection with a rights issue or on an allotment of shares for cash up to an aggregate nominal amount of £50,000 which is equivalent to approximately 4.7% of the existing issued share capital of the Company. The authority sought and the limits set by this Resolution will apply to a sale by the Company of any shares it holds as treasury shares. Under legislation which came into effect in December 2003, companies are allowed to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. Treasury shares may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share-based incentive schemes. Any subsequent transfers of treasury shares to satisfy the requirements of employee share-based incentive schemes will be made within the 10% anti-dilution limit for such share issues.

Resolution 10, which will be proposed as a Special Resolution, will renew the Company's authority to make market purchases of up to 1,050,000 ordinary shares (representing approximately 10% of its present issued share capital) at a minimum price of 10 pence per share and a maximum price per share of not more than 5% above the average of the market values of an ordinary share as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made, such authority to expire on the earlier of 19 August 2007 or the date of the next Annual General Meeting of the Company. Shares repurchased by the Company will be held as treasury shares to the extent the Company may lawfully do so.

This proposal should not be taken as an indication that the Company will purchase shares at any particular price or indeed at all, and the Directors, who currently have no plans to make such purchases, will only consider making purchases if they believe that to do so would result in an increase in earnings per share and that such purchases would be in the best interests of shareholders generally.

The authority sought by Resolution 10 will apply equally to shares to be held by the Company as treasury shares.

As at 13 December 2005, there were options outstanding over 390,500 ordinary shares which, if exercised at that date, would have represented 3.6% of the Company's issued ordinary share capital. If the authority given by Resolution 10 were to be fully used, these would then represent approximately 4.0% of the Company's issued ordinary share capital.

Resolution 11, is to approve the Directors' Remuneration Report. Under the Directors' Remuneration Report Regulations 2003 listed companies are required to put a resolution to shareholders at each annual general meeting to approve the Directors' Remuneration Report. Resolution 11 in the notice of Annual General Meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the Remuneration Report, which is set out on pages 9 to 13.

In the opinion of the Directors, the passing of these resolutions is in the best interests of the shareholders.

By order of the Board

D A Ruffell
Secretary
20 December 2005

Directors' Remuneration Report

The Directors present their report to shareholders on Directors' remuneration. Shareholders will be asked to approve the Directors' Remuneration Report and a resolution to that effect will be proposed at the Annual General Meeting on 20 February 2006. The report has been prepared in accordance with the requirements of the Companies Act 1985, the Listing Rules of the UK Listing Authority and the Combined Code appended to the Listing Rules.

Unaudited information

Remuneration Committee

The Company's policy on remuneration is determined by its Remuneration Committee. The Committee presently consists of Mr P W E Fitt - a Non-Executive Director, Mr J N Anderson - Group Chairman and Mr D A Ruffell - Group Chief Executive. Such persons also comprised the Remuneration Committee during the year and Mr P W E Fitt chairs the Committee.

Remuneration Policy

The Company's policy on remuneration is to offer competitive remuneration packages, which are designed to reward, retain and to motivate the Directors, having regard to the size and complexity of the Group. There are presently no specific performance related elements included within remuneration, and the Committee will review this policy during the coming year.

The individual components of the remuneration package offered are:

Basic salary. The basic salary of each Executive Director is determined by the Committee, giving due consideration to individual responsibility and performance and to salaries paid to Executive Directors of similar companies in comparable business sectors. Basic salaries are reviewed annually on 1 February.

Benefits. Benefits paid to Executive Directors comprise taxable non-cash emoluments and include the provision of company cars and private health insurance.

Pension contributions. Executive Directors are members of the Company's defined contribution pension scheme in which the Company's contribution is a fixed percentage at 10% of basic salary. Benefits are not pensionable.

In addition, the Executive Directors participate in the Company's Group Life Insurance Scheme which provides a lump sum payment of four times basic salary in the event of death in service.

Directors' Remuneration Report (continued)

Share Option Schemes

The Company provides share option schemes for Directors and for other members of staff.

There are presently two share option schemes; one Inland Revenue approved and the other unapproved in which employees may be invited to participate. Both of these schemes were introduced in February 1998. The exercise of options granted under these schemes is dependent upon the growth in the earnings per share of the Company, over any three consecutive financial years following the date of grant, exceeding the growth in the retail price index over the same period by at least 9 per cent.

The performance conditions are aimed to align Directors' performance to shareholder value and were selected by the Remuneration Committee on the advice of the Company's solicitors. Actual earnings per share performance will be measured by the Remuneration Committee.

Prior to February 1998 options were granted under another share option scheme. The exercise of options granted under that scheme is not subject to any performance conditions.

The Company's policy is to grant options at the discretion of the Committee, in order to reward and incentivise employees. The Company considers that the grant of options should not be subject to performance conditions in order to give the Committee greater flexibility, particularly given that only relatively few shares remain over which options may still be granted under the terms of the existing schemes.

Director's Contracts

All Executive Directors have service contracts, entered into on 1 August 2005, which are renewed annually and which provide for a 6 month notice period to be given either by the Company or by the Director. All Executive Directors' current contracts expire on 31 July 2006.

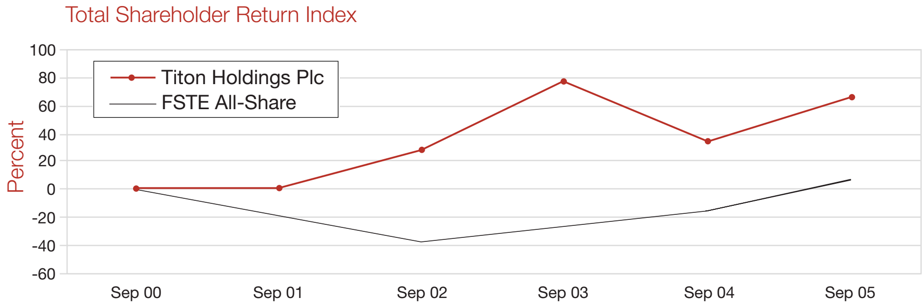
All three of the Non-Executive Directors have service contracts, that do not contain notice periods and which expire on 31 January 2006. The remuneration for the Company's Non-Executive Directors is set by the Board, and consists of fees for their services in connection with their role as Director and, where relevant, for additional services such as chairing Board Committees. They are not eligible for pension scheme membership and do not participate in any of the Company's share option schemes. Professor P E O'Sullivan has a one year contract, entered into on 1 October 2005, to provide consultancy services to a subsidiary company for the sum of £22,500.

The Company's policy on the duration of, and notice periods and termination payments under, Directors' contracts is designed to attract and retain persons of the calibre required by the Company, with due regard being given to the interests of shareholders.

There are no predetermined special provisions for Executive or Non-Executive Directors with regard to compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

Performance Graph

The following graph shows the Company's 5-year performance, measured by total shareholder return, compared with the equivalent performance of the FTSE All-Share Index.



This graph shows the percentage change in value, at 30 September 2005, of £1 invested in the Company on 30 September 2000 (assuming dividends reinvested) compared with the percentage change in value of £1 (assuming dividend reinvested) in the FTSE All-Share Index. The Directors consider the FTSE All-Share Index to be an appropriate choice as the Company is included within it.

Audited Information

Directors' Remuneration

The remuneration paid to the Directors during the year was as follows:-

	Basic Salary and fees	Benefits	Total emoluments		Pension contributions	
			2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Executive:						
J N Anderson	110	20	**130**	133	**11**	11
T N Anderson	44	10	**54**	40	**4**	3
R Brighton	65	9	**74**	73	**6**	6
N C Howlett	53	10	**63**	61	**5**	5
C S Jarvis	55	9	**64**	64	**5**	5
C J Martin	58	8	**66**	65	**6**	6
D A Ruffell	83	14	**97**	96	**8**	8
Non-Executive:						
P W E Fitt	12	-	**12**	13	**-**	-
P E O'Sullivan *	25	-	**25**	25	**-**	-
K A Ritchie	1	-	**1**	-	**-**	-
	506	80	**586**	570	**45**	44

* Inclusive of £22,500 relating to consultancy fees for 2005 and 2004.

The remuneration package of each Executive Director includes non-cash benefits comprising the provision of a company car and private health insurance.

There were no aggregate gains made by Directors on the exercise of share options during 2005 (2004: £5,000).

Directors' Remuneration Report (continued)

Share Options

Details of the interests of Directors who served during the year in options over shares are as follows:-

		Exercise price per share	At 1 October 2004	Granted during the year	Lapsed during the year	At 30 September 2005
			Number	Number	Number	Number
T N Anderson	(b)	103.0p	3,150	-	-	3,150
	(e)	103.5p	10,000	-	-	10,000
			13,150	-	-	13,150
R Brighton	(c)	86.5p	17,000	-	-	17,000
	(e)	103.5p	10,000	-	-	10,000
			27,000	-	-	27,000
N C Howlett	(a)	161.0p	10,000	-	10,000	-
	(b)	103.0p	3,750	-	-	3,750
	(c)	86.5p	6,250	-	-	6,250
	(e)	103.5p	10,000	-	-	10,000
	(f)	99.0p	-	10,000	-	10,000
			30,000	10,000	10,000	30,000
C S Jarvis	(b)	103.0p	10,000	-	-	10,000
	(c)	86.5p	17,000	-	-	17,000
	(e)	103.5p	10,000	-	-	10,000
			37,000	-	-	37,000
C J Martin	(b)	103.0p	7,350	-	-	7,350
	(d)	89.0p	1,250	-	-	1,250
	(e)	103.5p	10,000	-	-	10,000
			18,600	-	-	18,600
D A Ruffell	(b)	103.0p	14,000	-	-	14,000
	(c)	86.5p	17,000	-	-	17,000
	(e)	103.5p	25,000	-	-	25,000
			56,000	-	-	56,000

P W E Fitt, P E O'Sullivan and K A Ritchie had no interests in options over shares during the year.

There have been no changes to the number of share options held by Directors between 30 September 2005 and 20 December 2005.

Share Options (continued)

The options are exercisable between the following dates:

(a) 23 December 1997 to 23 December 2004 (expired)
(b) 16 January 1999 to 16 January 2006
(c) 11 March 2001 to 11 March 2008
(d) 2 June 2002 to 2 June 2009
(e) 18 January 2005 to 18 January 2012
(f) 18 May 2008 to 18 May 2015

The Directors may only exercise share options c, d, e & f if the growth in the earnings per share of the Company over any period of three consecutive financial years of the Company following the date of grant, exceeds the growth in the retail price index over the same period by at least 9 per cent.

At 30 September 2005 the market price of the Company's shares was 107.5p, and the range during the year was 97.0p to 127.0p.

P W E Fitt
Remuneration Committee Chairman
20 December 2005

Corporate Governance Report

Compliance with the Combined Code

There is a commitment to high standards of corporate governance throughout the Group. The Board confirms that the Company has complied throughout the accounting period with the provisions set out in Section 1 of the Combined Code, which was issued in July 2003, except in the following areas:

- The Company has seven Executive Directors and three Non-Executive Directors. The Non-Executive Directors are not considered to be independent and the Company does not therefore comply with paragraph A.3.2 in respect of the Board comprising at least two independent non-executive directors. The Executive Directors consider that the current Non-Executive Directors are of sufficient character and independence to challenge the opinions of the Executive Directors whilst, at the same time, providing a valuable contribution themselves to the strategic direction of the Company.

- The Non-Executive Directors have not met during the year to appraise the Chairman's performance and therefore the Company does not comply with paragraph A.1.3. The Non-Executive Directors feel that in respect of this matter a formal process is unnecessary.

- The Company has not appointed a senior independent director and therefore the Company does not comply with part of paragraph A.3.3. The Directors do not consider this is to be necessary in a company of this size and complexity.

- The Company does not have a nomination committee and therefore does not comply with paragraphs A.4.1, A.4.2 and A.4.6. The Directors feel that the nomination and appointment of Directors can be adequately carried out by the Board as a whole.

- The Company has not undertaken performance evaluation of the Board as a whole, the Board Committees or the Non-Executive Directors, and has therefore not complied with paragraph A.6.1. The Directors believe that this is not appropriate for a Company of this size and complexity. The Company is implementing an employee performance management system that encompasses the Executive Directors, although this has not been fully in place for the year under review.

- The Company has one Non-Executive Director who has served more than nine years on the Board. The Board does not intend to submit such Directors for annual re-election by shareholders and therefore the Company does not comply with paragraph A.7.2. The Executive Directors consider the continuity of experienced Non-Executive Directors is important to the Company.

- The Company's Remuneration Committee does not consist exclusively of Non-Executive Directors and therefore does not comply with paragraph B.2.1. The Directors consider that the current structure of the Committee is more appropriate for assessing Director's performance and contribution.

- Share options, as disclosed in the Directors' Remuneration Report, are the only performance related element of the Directors' total remuneration package. As this does not constitute a significant proportion of the Directors' total remuneration, the Company does not comply with paragraph B.1.1.

- The Company's Audit Committee currently comprises one Non-Executive Director and the Chief Executive and therefore the Company does not comply with paragraph C.3.1. The Directors consider that this present structure is appropriate for a company of this size and complexity.

The Board is accountable to the Company's shareholders for good corporate governance and the statements set out on pages 15 to 17 describe how the principles identified in the Combined Code are applied by the Company.

The Board of Directors

As at 30 September 2005 the Board consisted of the Chairman, the Chief Executive, five other Executive Directors and three Non-Executive Directors. Mr K A Ritchie was appointed as a Non-Executive Director during the year on 7 February 2005.

The Board has a schedule of matters specifically reserved to it for decision including major capital expenditure decisions, business acquisitions and disposals and the setting of treasury policy. This also includes matters such as material financial commitments, commencing or settling major litigation and appointments to main and subsidiary Company Boards.

Board meetings take place quarterly, and there is a further meeting to approve the Annual Report and Financial Statements.

To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of comprehensive management reporting information and discussion documents regarding specific matters.

The individual attendance by Executive Directors and Non-Executive Directors at the five Board meetings held during the financial year is shown in the table below.

Directors	Attendance at Board Meetings
J N Anderson (Chairman)	5
D A Ruffell (Chief Executive)	5
T N Anderson	5
R Brighton	2
N C Howlett	4
C S Jarvis	3
C J Martin	5
Non-Executive Directors	
P W E Fitt (Vice-Chairman)	4
P E O'Sullivan	3
K A Ritchie (Appointed 7 February 2005)	*1

* Two meetings held since date of appointment.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

When new members are appointed to the Board, they are provided with advice from the Company Secretary in respect of their role and duties as a public company Director. Furthermore, all Directors have ongoing access to the Company Secretary for advice during the course of their appointment.

Appointments to the Board of both Executive and Non-Executive Directors are considered by the Board as a whole.

Corporate Governance Report (continued)

The Board of Directors (continued)

Any Director appointed during the year is required, under the provisions of the Combined Code, to retire and seek election by the shareholders at the next Annual General Meeting. The Articles of Association also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those in office longest since their previous re-election and in practice this means that each Director retires at least every three years, in accordance with the requirements of the Combined Code.

The Directors who retire by rotation are Mr J N Anderson, Mr N C Howlett and Mr R Brighton. Furthermore, Mr K A Ritchie has been appointed to office during the year and retires in accordance with the Articles of Association. All four Directors, being eligible, offer themselves for re-election.

Mr J N Anderson aged 62 founded the Company in 1972 since when he has been Chairman. He has a service contract which expires on 31 July 2006.

Mr N C Howlett, aged 44, has been with the Company since 1991 when he joined as the manager of one of our main production units. He was promoted to Works Manager in 1995 and became a subsidiary Company Director in 1998. He was appointed to the main Board as Product Development Director in January 2002 and has a service contract which expires on 31 July 2006.

Mr R Brighton, aged 55, has been with the Group for 27 years. Since 1995 he has held the position of Manufacturing Division Managing Director of the main operating subsidiary, Titon Hardware Ltd, and has been on the main Board for the last 8 years. He has a service contract which expires on 31 July 2006.

Mr K A Ritchie, aged 46, was appointed as a Non-Executive Director on 7 February 2005. He is a chartered accountant employed by Bank of America in London, working in Global Corporate and Investment Banking. He has a service contract which expires on 31 January 2006.

The Remuneration Committee

The Remuneration Committee, which determines the Company's policy on Directors' remuneration, met once during the financial year and Mr P W E Fitt, Mr J N Anderson and Mr D A Ruffell attended the meeting.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 9 to 13.

The Audit Committee

The Audit Committee reports to the Board on matters concerning the Group's internal financial controls, financial reporting and risk management systems, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The Audit Committee is appointed by the Board for period of three years and comprises Mr P W E Fitt and Mr D A Ruffell and which is chaired by Mr P W E Fitt.

The Audit Committee met once during the financial year and both Mr P W E Fitt and Mr D A Ruffell attended the meeting.

The Audit Committee terms of reference, established by the Board, are to:

- Monitor the integrity of the Group's financial statements and formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- Review the Group's internal financial controls and risk management systems;
- Review arrangements by which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters;

The Audit Committee (continued)

- Consider at least annually the need for an internal audit function;
- Make recommendations to the Board of Directors for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

The Board believes that due to the size of the business there is currently no requirement for an internal audit function. This position is reviewed annually.

The Company's auditors, Ernst & Young LLP, have been instructed to carry out non-audit work during the year as detailed in note 5 to the financial statements. The non-audit work comprised low level tax advice and tax compliance work. The provision of these services represents a low risk to auditor independence which is safeguarded by separation of staff and supervision within Ernst & Young LLP.

Communications with Shareholders

The Board recognises the importance of communications with shareholders. The Chairman's Statement gives a detailed review of the business, and there is regular dialogue with institutional shareholders following the Company's preliminary announcement of the year end results and at the half year.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

Risk Management and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 5, 18 and 19.

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which complies with the guidance given by the Turnbull Committee. This has been in place throughout the year and up to the date of approval of the Annual Report. The process is regularly reviewed by the Board.

The key procedures that the Directors have established to provide effective internal control include:

- an appropriate control environment through the definition of the organisation structure and authority levels.
- the identification of the major business risks facing the Group and the development of appropriate procedures and controls to manage these risks.
- a comprehensive budgeting and reporting system with monthly results compared with budgets and with previous years.

The Directors have, through the Audit Committee, reviewed the effectiveness of the Company's system of internal control by reviewing the procedures noted above and are satisfied that it is appropriate to the size of the business.

Auditors' Report

Independent auditors' report to the members of Titon Holdings Plc

We have audited the Group's financial statements for the year ended 30 September 2005 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements. The Directors are also responsible for preparing the Directors' Remuneration Report.

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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the 2003 FRC 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Directors' Report, unaudited part of the Directors' Remuneration Report, and the statement on Corporate Governance and internal control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with 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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 of the Group as at 30 September 2005 and of the profit of the Group for the year then ended; and
- 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.

Ernst & Young LLP
Registered Auditor
Cambridge
20 December 2005

Consolidated Profit and Loss Account

for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Turnover	2	**16,436**	16,401
Cost of sales		**12,372**	12,505
Gross profit		**4,064**	3,896
Distribution costs		**648**	561
Administrative expenses		**2,387**	2,398
		3,035	2,959
Operating profit		**1,029**	937
Interest receivable		**152**	131
Interest payable and similar charges	4	**(1)**	(6)
Profit on ordinary activities before taxation	5	**1,180**	1,062
Taxation on profit on ordinary activities	6	**328**	305
Profit on ordinary activities after taxation attributable to the members of Titon Holdings Plc		**852**	757
Dividends	8	**747**	749
Retained profit for the financial year		**105**	8
Earnings per share - basic	9	**8.09p**	7.19p
- diluted	9	**8.06p**	7.14p

Consolidated Statement of Total Recognised Gains & Losses for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Profit for the financial year attributable to members of Titon Holdings Plc	17	**852**	757
Exchange difference on retranslation of net assets of subsidiary undertaking		**(3)**	-
Total recognised gains and losses relating to the period		**849**	757

The notes on pages 24 to 35 form part of these financial statements.

Consolidated Balance Sheet

at 30 September 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	10	**4,248**	4,291
Current assets			
Stocks	12	**2,511**	2,580
Debtors	13	**3,695**	3,201
Cash at bank and in hand		**3,380**	4,017
		9,586	9,798
Creditors:			
Amounts falling due within one year	14	**(3,097)**	(3,463)
Net current assets		**6,489**	6,335
Total assets less current liabilities		**10,737**	10,626
Deferred taxation	15	**(104)**	(95)
		10,633	10,531
Capital and reserves			
Called up share capital	16	**1,053**	1,053
Share premium account	17	**841**	841
Capital redemption reserve	17	**56**	56
Profit and loss account	17	**8,683**	8,581
Equity shareholders' funds	17	**10,633**	10,531

The notes on pages 24 to 35 form part of these financial statements.

These financial statements were approved by the Board on 20 December 2005.

J N Anderson
Chairman

Company Balance Sheet

at 30 September 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	10	**2,889**	2,906
Investments	11	**202**	202
		3,091	3,108
Current assets			
Debtors	13	**3,575**	3,623
Cash at bank and in hand		**3,262**	3,300
		6,837	6,923
Creditors:			
Amounts falling due within one year	14	**(637)**	(1,307)
Net current assets		**6,200**	5,616
Total assets less current liabilities		**9,291**	8,724
Deferred taxation	15	**(210)**	(190)
		9,081	8,534
Capital and reserves			
Called up share capital	16	**1,053**	1,053
Share premium account	17	**841**	841
Capital redemption reserve	17	**56**	56
Profit and loss account	17	**7,131**	6,584
Equity shareholders' funds	17	**9,081**	8,534

The notes on pages 24 to 35 form part of these financial statements.

These financial statements were approved by the Board on 20 December 2005.

J N Anderson
Chairman

Consolidated Cash Flow Statement

for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	20	**1,454**	1,545
Returns on investments and servicing of finance			
Interest received		**152**	131
Interest paid		**(1)**	(6)
		151	125
Taxation			
UK corporation tax		**(271)**	(431)
Capital expenditure			
Purchase of tangible fixed assets		**(569)**	(940)
Sale of tangible fixed assets		**30**	66
		(539)	(874)
Equity dividends paid		**(747)**	(745)
Cash inflow / (outflow) before use of management of liquid resources and financing		**48**	(380)
Management of liquid resources			
Disposal of treasury deposits		**38**	500
Financing			
Shares issued under the Company's share option scheme		**-**	25
Increase in cash	21	**86**	145

The notes on pages 24 to 35 form part of these financial statements.

Notes to the Financial Statements

at 30 September 2005

1 Accounting Policies

Basis of preparation
The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Titon Holdings Plc and all its subsidiary undertakings made up to 30 September 2005. No profit and loss account is presented for Titon Holdings Plc as permitted by section 230 of the Companies Act 1985.

Goodwill
Prior to the adoption of FRS 10 all goodwill was set off against reserves as a matter of accounting policy. If a subsidiary is subsequently sold, any goodwill arising on acquisition that was written off directly to reserves is taken into account in determining the profit or loss on sale.

Turnover
Turnover represents value of goods despatched to outside customers at invoiced amounts less value added tax.

Depreciation
Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated, on a straight line basis, at the following annual rates:

Freehold buildings	-	2%
Improvements to leasehold property	-	20%
Plant and equipment	-	10% to 33 1/3%
Motor vehicles	-	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	-	cost of purchase on first in, first out basis.
Work in progress and finished goods	-	cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

1 Accounting Policies (continued)

Foreign currency

The financial statements of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Foreign currency transactions are translated at the rates ruling on the transaction date, or at the contracted rate if the transactions has been entered into at a fixed rate. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date, or if applicable at the contracted rate. Any differences on exchange are taken to the profit and loss account.

Deferred taxation

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

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

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

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Leased assets

Operating leases represent leasing agreements that do not give rights approximating to ownership. Annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

The Directors consider the principal activity of the Group to be the only class of business, with the United Kingdom accounting for 89% (2004: 90%) and the rest of the world 11 % (2004: 10%) of sales.

Notes to the Financial Statements (continued)

at 30 September 2005

3 Directors and Employees

Staff costs, including Directors, were as follows:	**2005 £'000**	2004 £'000
Wages and salaries	**4,411**	4,696
Social security costs	**416**	423
Other pension costs	**232**	226
	5,059	5,345

The average monthly number of employees during the year was as follows:	**Number**	Number
Manufacturing	**189**	214
Sales, marketing and administration	**68**	67
	257	281

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 9 to 13.

4 Interest Payable and Similar Charges

	2005 £'000	2004 £'000
Bank interest	**1**	6

5 Profit on Ordinary Activities before Taxation

This is arrived at after charging/(crediting):			**2005 £'000**	2004 £'000
Depreciation			**599**	607
Research and development expenditure written off			**478**	525
Operating lease rentals	-	land and buildings	**92**	171
Auditors' remuneration	-	for audit services including £5,000 in respect of the Company (2004: £5,000)	**27**	26
	-	non audit services	**11**	9
Profit on disposal of fixed assets			**(19)**	(1)

6 Taxation on Profit on Ordinary Activities

	2005 £'000	2004 £'000
UK corporation tax	**313**	303
Adjustment in respect of prior years	**(28)**	(26)
Total UK corporation tax	**285**	277
Overseas taxation	**34**	1
Total current tax	**319**	278
Deferred taxation	**9**	27
	328	305

Factors affecting the tax charge for the period:	**2005 £'000**	2004 £'000
Profit on ordinary activities before tax	**1,180**	1,062
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	**354**	319
Effect of:		
Disallowable expenses	**16**	20
Capital allowances in excess of depreciation	**(22)**	(18)
Short term timing differences	**2**	(6)
Difference in exchange rates	**-**	(12)
Adjustments in respect of prior periods	**(28)**	(26)
Overseas taxation	**-**	1
Intra group adjustment (profit in stock)	**(3)**	-
Current tax charge for the period	**319**	278

7 Profit Attributable to Members of the Parent Company

	2005 £'000	2004 £'000
Profit after taxation and before dividends dealt with in the financial statements of the parent company	**1,294**	1,244

Notes to the Financial Statements (continued)

at 30 September 2005

8 Dividends

Equity dividends on ordinary shares	**2005 £'000**	2004 £'000
Interim paid of 2.3p per share (2004: 2.3p)	**242**	244
Final proposed of 4.8p per share (2004: 4.8p)	**505**	505
	747	749

9 Earnings per Ordinary Share

Basic earnings per share has been calculated by dividing the profit attributable to shareholders of £852,000 (2004: £757,000) by the weighted average number of ordinary shares in issue during the year of 10,528,800 (2004: 10,523,878).

The diluted earnings per share has been calculated by dividing the profit attributable to shareholders of £852,000 (2004: £757,000) by the weighted average number of ordinary shares and potential dilutive ordinary shares during the year of 10,576,852 (2004: 10,597,741). All dilutive ordinary shares relate to share options.

10 Tangible Assets

Group	Freehold land and buildings £'000	Improvements to leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At beginning of year	3,422	102	7,027	616	11,167
Additions	15	10	384	160	569
Disposals	-	(70)	(94)	(94)	(258)
At end of year	3,437	42	7,317	682	11,478
Depreciation					
At beginning of year	532	96	5,908	340	6,876
Provided for the year	63	8	400	128	599
Disposals	-	(70)	(93)	(82)	(245)
At end of year	595	34	6,215	386	7,230
Net book value					
At 30 September 2005	**2,842**	**8**	**1,102**	**296**	**4,248**
At 30 September 2004	2,890	6	1,119	276	4,291

10 Tangible Assets (continued)

Company	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At beginning of year	3,422	71	3,493
Additions	15	52	67
Disposals	-	(49)	(49)
At end of year	3,437	74	3,511
Depreciation			
At beginning of year	532	55	587
Provided for the year	63	13	76
Disposals	-	(41)	(41)
At end of year	595	27	622
Net book value			
At 30 September 2005	**2,842**	**47**	**2,889**
At 30 September 2004	2,890	16	2,906

11 Fixed Asset Investments

	Company £'000
At beginning of year and end of year	202

Investments comprise 100% shareholdings, of the ordinary share capital, in the following principal subsidiary undertakings. Only information in respect of undertakings principally affecting results or assets has been included.

Name of subsidiary	Principal activity	Country of incorporation
Titon Hardware Limited	Design, manufacture and marketing of window fittings and ventilators	England
Titon Inc	Distribution of Group products	USA
Titon BV	Distribution of Group products	The Netherlands

For the subsidiary undertakings listed above, the country of operation is the same as its country of incorporation.

Notes to the Financial Statements (continued)
at 30 September 2005

12 Stocks

	Group	
	2005 £'000	2004 £'000
Raw materials and consumables	**319**	307
Work in progress	**705**	737
Finished goods and goods for resale	**1,487**	1,536
	2,511	2,580

The Directors consider that there is no material difference between the replacement cost of stock and its balance sheet value.

13 Debtors

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Trade debtors	**3,578**	3,134	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**3,573**	3,623
Other debtors	**24**	11	**2**	-
Prepayments and accrued income	**93**	56	**-**	-
	3,695	3,201	**3,575**	3,623

14 Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Bank overdrafts	**21**	706	**21**	706
Trade creditors	**1,593**	1,374	**2**	2
Other creditors	**36**	61	**1**	-
Creditors for other taxation and social security	**443**	463	**-**	9
Corporation tax	**144**	97	**22**	15
Proposed dividend	**505**	505	**505**	505
Accruals	**355**	257	**86**	70
	3,097	3,463	**637**	1,307

The bank overdraft is unsecured.

15 Provision for Deferred Taxation

The full potential and amounts provided in respect of deferred tax is as follows:

	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
Group			
Opening balance	131	(36)	95
Current year charge to profit and loss	21	(12)	9
Closing provision	152	(48)	104
Company			
Opening balance	198	(8)	190
Current year charge to profit and loss	20	-	20
Closing provision	218	(8)	210

16 Share Capital

	2005 £'000	2004 £'000
Authorised		
13,600,000 ordinary shares of 10p each	**1,360**	1,360
Allotted, called up and fully paid		
10,528,800 ordinary shares of 10p each (2004: 10,528,800)	**1,053**	1,053

All shares issued during the year relate to Company share option schemes exercised.

Share options

Options have been granted over the following number of ordinary shares which were outstanding at 30 September 2005:

Date granted	Number of shares	Subscription price	Exercisable between
16 January 1996	55,850	103.0p	16 January 1999 and 16 January 2006
24 December 1996	12,600	82.0p	24 December 1999 and 24 December 2006
11 March 1998	82,800	86.5p	11 March 2001 and 11 March 2008
16 December 1998	25,750	89.5p	16 December 2001 and 16 December 2008
2 June 1999	16,600	89.0p	2 June 2003 and 2 June 2009
18 January 2002	140,750	103.5p	18 January 2005 to 18 January 2012
21 May 2004	36,150	91.0p	21 May 2007 to 21 May 2014
18 May 2005	26,300	99.0p	18 May 2008 to 18 May 2015
	396,800		

Between 30 September 2005 and 13 December 2005 options over 6,300 shares have been exercised.

17 Reconciliation of Shareholders' Funds and Movement on Reserves

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total share-holders' funds £'000
At 1 October 2003	1,050	819	56	8,573	10,498
Profit for the financial year	-	-	-	757	757
Dividends	-	-	-	(749)	(749)
Shares issued under the Company's share option scheme	3	22	-	-	25
At 1 October 2004	1,053	841	56	8,581	10,531
Profit for the financial year	-	-	-	852	852
Dividends	-	-	-	(747)	(747)
Exchange movement Titon BV	-	-	-	(3)	(3)
At 30 September 2005	**1,053**	**841**	**56**	**8,683**	**10,633**

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total share-holders' funds £'000
At 1 October 2003	1,050	819	56	6,091	8,016
Profit for the financial year	-	-	-	1,244	1,244
Shares issued under the Company's share option scheme	3	22	-	-	25
Dividends	-	-	-	(749)	(749)
Exchange movement on foreign investment	-	-	-	(2)	(2)
At 1 October 2004	1,053	841	56	6,584	8,534
Profit for the financial year	-	-	-	1,294	1,294
Dividends	-	-	-	(747)	(747)
At 30 September 2005	**1,053**	**841**	**56**	**7,131**	**9,081**

Included within the profit and loss account is £111,000 of goodwill (2004: £111,000) arising on acquisitions in prior years, and prior to the implementation of FRS 10.

18 Financial Instruments

The Group holds financial instruments comprising treasury deposits, cash and overdrafts to finance its operations together with the retained profits generated by operating companies.

The Group has no long term borrowings and any available cash surpluses are placed on deposit. The Group uses cash on deposit to manage short term liquidity risks which may arise.

The Group has two overseas subsidiaries operating in the USA and the Netherlands respectively. Their revenues and expenses, other than those incurred with the UK business, are denominated in their local currency. The Board does not believe that there are any significant risks arising from the movements in exchange rates with these companies due to the insignificance of their reserves and trading activities.

All sales from the Group's UK business are invoiced in sterling. Purchases made by the UK business from one overseas supplier are invoiced to the Group in the local currency of that supplier. Any currency risk is mitigated by the Group fixing an exchange rate with that supplier on a quarterly basis.

Short-term debtors and creditors have been excluded from the disclosures.

Financial assets

The Group's financial assets at 30 September were:

	Floating rate financial assets	
Currency	**2005 £'000**	2004 £'000
Sterling	**3,299**	3,934
US Dollar	**13**	19
Euro	**68**	64
	3,380	4,017

The sterling financial assets have a weighted average interest rate of 4.0%, which was arranged monthly. The remainder comprise of bank current accounts.

Financial liabilities

The Group's floating rate financial liabilities at 30 September 2005 comprise solely of a sterling bank overdraft in the sum of £21,000 (2004: £706,000) repayable on demand. This liability is offset against bank deposits for the purposes of interest payment calculation.

The Board considers the fair value of the Group's financial assets and liabilities to be the same as the book value.

Notes to the Financial Statements (continued)
at 30 September 2005

19 Commitments

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Capital commitments				
Contracted but not provided	**138**	110	**-**	-

Operating leases
At the year end the Group had annual commitments under non-cancellable operating leases, in respect of land and buildings, as set out below:

	2005 £'000	2004 £'000
Operating leases which expire within:		
One year	**24**	45
Two to five years	**68**	68

The Company had no other operating lease commitments at 30 September 2004 (2003: £nil).

20 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2005 £'000	2004 £'000
Operating profit	**1,029**	937
Depreciation	**599**	607
Decrease/(increase) in stocks	**69**	(138)
(Increase)/decrease in debtors	**(494)**	47
Increase in creditors	**270**	93
Profit on sale of fixed assets	**(19)**	(1)
Net cash inflow from operating activities	**1,454**	1,545

21 Reconciliation of Net Cash Flow to Movement in Net Funds

	2005 £'000	2004 £'000
Increase in cash in the year	**86**	145
Decrease in liquid resources	**(38)**	(500)
Change in net funds resulting from cashflows and movement in net funds in the year	**48**	(355)
Opening net funds	**3,311**	3,666
Closing net funds	**3,359**	3,311

22 Analysis of Net Funds

	At 1 October 2004 £'000	Cashflow £'000	At 30 Sept 2005 £'000
Cash at bank and in hand	4,017	(637)	**3,380**
Treasury deposits shown as liquid resources	(3,300)	38	**(3,262)**
	717	599	**118**
Bank overdrafts	(706)	685	**(21)**
Cash	11	86	**97**
Treasury deposits	3,300	(38)	**3,262**
Total	3,311	48	**3,359**

23 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 3). The unpaid contributions outstanding at the year end, included in accruals (note 14) are £29,000 (2004: £29,000).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Titon Holdings Plc ("the Company") will be held at International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL on 20 February 2006 at 10.00 am for the following purposes:

Ordinary Business

1. To consider the financial statements and reports of the Directors and of the Auditors for the year ended 30 September 2005.

2. To declare a final dividend of 4.8p per share on the ordinary shares of the Company.

3. To re-elect J N Anderson as a Director of the Company.

4. To re-elect N C Howlett as a Director of the Company.

5. To re-elect R Brighton as a Director of the Company.

6. To re-elect K A Ritchie as a Director of the Company.

7. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 8 and 11 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions.

8. THAT

(a) In accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:

(i) his authority shall (unless previously revoked, varied or renewed) expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 19 May 2007 whichever shall occur earlier; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £250,000 (representing approximately 23.7% of the existing issued share capital of the Company as at 20 December 2005).

(b) For the purpose of sub-paragraph (a) above:

(i) the said authority shall allow and enable the Company to make an offer or agreement which would or might require relevant securities to be allotted after expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meanings herein.

9. THAT

(a) Conditionally upon the passing of Resolution 8 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 8 above as if sub-section (1) of Section 89 of the said Act did not apply to such allotment provided that:

(i) the power hereby granted shall be limited :

(aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holding of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and

(bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of equity securities up to an aggregate nominal amount of £50,000 (representing approximately 4.8% of the existing issued share capital of the Company as at 20 December 2005);

(ii) the power hereby granted shall (unless previously revoked, varied or renewed) expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 19 May 2007 whichever shall occur earlier;

(b) (i) the said power shall allow and enable the Company to make an offer or agreement which would or might require equity securities to be allotted after expiry of such power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred herein had not expired; and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein.

(c) This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94 (3A) of the Companies Act 1985 as if in sub-paragraph (a) of this Resolution the words "pursuant to the authority conferred by Resolution 8 above" were omitted.

10. THAT

the Company be and is hereby generally authorised to make market purchases (within the meaning of Section 163(3) of the Companies act 1985), on such terms and in such manner as the Directors shall determine, on the London Stock Exchange of up to an aggregate of 1,050,000 ordinary shares of 10 pence each in its capital at a price per share being not more than 5% above the average of the market values of an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made and not less than 10 pence per ordinary share (in each case exclusive of expenses) and that the authority conferred by this Resolution shall expire (unless previously revoked, varied or renewed) on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 19 August 2007, whichever shall occur earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date which might be executed wholly or partly after such date).

Notice of Annual General Meeting (continued)

11. THAT

the Directors' Remuneration Report set out on pages 9 to 13 of the annual report and financial statements be and it is hereby approved.

By order of the Board

Registered Office
International House
Peartree Road
Stanway
Colchester
Essex CO3 OJL

D A Ruffell
Secretary
20 December 2005

Notes:

1. In accordance with Regulation 41 of The Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at close of business on 17 February 2006 shall be entitled to attend or vote at the meeting in respect of the number shares registered in their name at that time. Changes to entries on the register of members after close of business on 17 February 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A statement of Directors' interest and copies of their service contracts are available for inspection during usual business hours at the registered office of the Company on each business day before, and will be available at the place of the Annual General Meeting for fifteen minutes prior to and during, the meeting.

3. Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that member. If a member appoints two or more proxies he must do so in the alternative, and only one of such proxies may attend the meeting as such and vote instead of such member. A proxy need not be a member of the Company.

4. A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid, the form of proxy must be deposited at the registered office of the Company at International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL, NOT LATER THAN 10.00 A.M on 17 February 2006, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy such power or authority. The completion and return of the form of proxy will not, however, preclude you from attending and voting at the meeting if you so wish.

Directors and Advisors

DIRECTORS

Executive
J N Anderson (Chairman)
D A Ruffell (Chief Executive)
T N Anderson
R Brighton
N C Howlett
C S Jarvis
C J Martin

Non-Executive
P W E Fitt (Vice-Chairman)
P E O'Sullivan
K A Ritchie (Appointed 7 February 2005)

SECRETARY AND REGISTERED OFFICE
D A Ruffell
International House
Peartree Road
Stanway
Colchester
Essex
CO3 0JL

COMPANY REGISTRATION NUMBER
1604952

AUDITORS
Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BROKERS
Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

SOLICITORS
Macfarlanes
10 Norwich Street
London EC4A 1BD

REGISTRARS AND TRANSFER OFFICE
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

BANKERS
Barclays Bank Plc
Witham Business Centre
Witham, Essex CM8 2AT

TITON HOLDINGS PLC
International House, Peartree Road, Stanway, Colchester, Essex CO3 OJL
Tel: +44 (0)1206 713800 **Fax:** +44 (0)1206 543126
Email: enquiries@titon.co.uk **Web:** www.titon.com