Titon Holdings Plc
2006 Annual Report & Accounts

Titon®

Annual Report and Financial Statements

for the year ended 30 September 2006

Contents

Titon®

Chairman's Statement

Financial Performance

Profit before taxation for the year to 30 September 2006 was 24.5% down at £0.89 million (2005: £1.18 million), on Revenue 1.0% higher at £16.60 million (2005: £16.44 million). Earnings per share were 20.8% lower at 6.40p (2005: 8.08p). This has been a heavy year for capital expenditure with a £1.48 million spend, compared to a £0.68 million depreciation charge, reducing our year-end cash reserves to £2.07 million (2005: £3.36 million).

"...this important part of the Regulation was controversially withdrawn..."

Typical Pax fan installation

The Directors are proposing a final dividend of 4.8p (2005: 4.8p), which when added to the interim dividend paid in May 2006, makes a total for the year of 7.1p (2005: 7.1p). The dividend will be payable on 23 February 2007 to shareholders on the register on 2 February 2007. The ex-dividend date is 31 January 2007.

Trading Commentary

This has been a difficult year, largely due to a combination of uncertainty in the timing of Building Regulation implementation and a significant downturn in market activity in the months of April and May, which disguised an improved performance toward the end of the year.

In my 2006 interim report I informed shareholders that the new Building Regulations (England and Wales) for Ventilation were published in April 2006, and that the requirement to fit trickle ventilators in all replacement windows had been included with effect from October 2006. It is now most disappointing to have to report that this important part of the Regulation was controversially withdrawn only two weeks before the proposed implementation date. The reason is that, following a

Shaddon Mill, Carlisle - Chrono tilt and turn window fittings

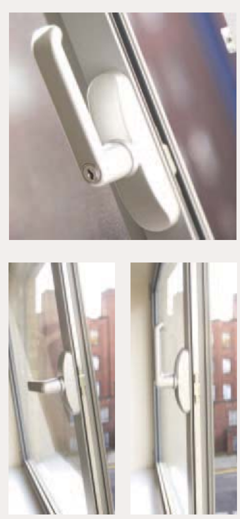
> *"...we have now launched our new range of Trimvent Select Xtra ventilators..."*

Trimvent Select Xtra canopies

challenge from sections of the window industry, the Government department involved decided that the costs might outweigh the benefits.

One of the key objectives highlighted in the original Regulatory Consultation Document was to address major health issues, such as asthma and other respiratory illnesses, through the improvement of indoor air quality. It is well documented that new tightly sealed double-glazed windows can reduce indoor air quality to an unacceptable level and this was an opportunity for the Government to introduce consistent regulation for controlled ventilation.

However, rather than introduce such regulation it has allowed the window industry to fit trickle ventilators on the basis of "Good Practice", which in the view of the Directors may not achieve the health benefits hoped for by Government. We have invested some £0.3 million on specific plant and tooling to introduce product for this part of the Regulation, as well as a great deal of design, development and technical resource. We must now wait and see what the impact of the Good Practice Document will be in order to determine whether value is

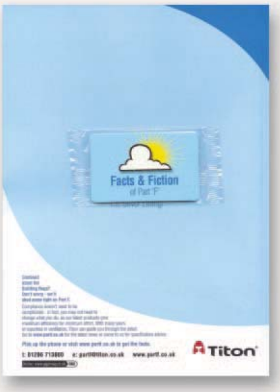


Tilt and turn hinge sytem

Chairman's Statement (continued)

achieved for this investment. The indecision and change has been most disconcerting and I will update shareholders further at the interim stage of 2006/2007.

We have launched our new Titon range of Trimvent Select Xtra ventilators for both the new-build and replacement window market and they have been well received by the industry. These products provide a much increased airflow performance over the majority of ventilators on the market and we are confident that, in combination with our powered ventilation range, they will provide effective compliant solutions for all domestic ventilation needs. We have provided an enhanced level of marketing activity to support our enlarged direct sales force and are pleased with the level of new customers and the specifications being gained.



Part F targeted campaign

Our Export sales have again increased and now account for 13% of total revenue. One disappointing aspect of our overseas activity was our US subsidiary, Titon Inc, where revenue was 9% lower, reflecting the downturn in US building activity over the year.

I reported last year that measures taken to reduce our cost base and improve manufacturing efficiency had benefited us. The difficulties of manufacturing in the UK are well known and efficiency improvements need to be ongoing in order for us to remain competitive. For this reason we continue to seek cost effective supply options from overseas to complement our UK manufacturing base.

> *"These products provide... ...effective compliant solutions for all domestic ventilation needs."*

Part F information and product 'Z Card'

Continuous mechanical extract unit

Trimvent Select Xtra

Employees

Our overall employee base remains similar to last year, but includes a greater number of sales personnel. Our employees remain a vital part of the strength of our business and their continued support for the Group is most important as we seek new initiatives. I wish to thank them all for their efforts during these difficult and changing times.

Prospects

The implications of the Government U-turn on the replacement window regulations have yet to be determined. We will actively support the window industry with their efforts to introduce and adhere to Ventilation Good Practice and hope that this may have a positive impact. As far as new build is concerned, our new Trimvent Select Xtra products and our ability to provide total solutions via powered and passive products should enable us to increase market share.

The new financial year has started with reasonably strong sales being recorded. Although the recent increase in UK interest rates is likely to have a detrimental effect on demand as the year progresses, the Directors believe that the enhanced product offering, an increase in market activity and further cost saving initiatives should offset this.

John Anderson

Chairman

6 December 2006

Typical residential new build application

"We will actively support the window industry with their efforts to introduce and adhere to Ventilation Good Practice..."

Directors' Report

The Directors present their report and the Group financial statements for the year ended 30 September 2006.

Results and dividends

The consolidated income statement is set out on page 22 and shows a profit after tax of £675,000 (2005: £851,000) for the year.

The Directors recommend the payment of a final ordinary dividend of 4.8p (2005: 4.8p) per ordinary share. This, when taken with the interim dividend of 2.3p (2005: 2.3p) per ordinary share paid on 3 July 2006, gives a total dividend of 7.1p (2005: 7.1p) per ordinary share for the year ended 30 September 2006.

These are the first annual results published under International Financial Reporting Standards (IFRS). The previously published results for 2005, prepared under UK Generally Accepted Accounting Principles (UK GAAP), have been restated and all comparative figures are in accordance with IFRS. The adjustments to the results for 2005 are shown in the notes on pages 42 to 44.

Principal activities, trading review and future developments

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

The past year has seen solid progress in the Group's plans to provide a comprehensive range of ventilation systems to the UK residential housing market. Building on the Group's long-standing position as the leading UK supplier of background ventilators, this opportunity for organic growth has been realised through the monitoring of and the involvement in Building Regulation change.

Traditionally, the Group has provided a unique and comprehensive range of trickle ventilators to the window industry and has marketed these along with a wide range of other products directly to the window manufacturer. Revenue per employee for the 2005/6 financial year was £65,000 (2005: £64,000) whilst profit per employee was £2,600 (2005: £3,300).

The recently announced update to the Building Regulations (England and Wales) for Ventilation (Approved Document F - Ventilation (2006 Edition)) "the Regulation" had been under consideration and consultation for over two years as mentioned in the Chairman's Reports for these years. It was clear to the Group some while ago that this Regulation would introduce a considerable amount of diversity and complexity to the manner in which dwellings could be ventilated in order to comply and this would bring growth opportunities for Titon.

In order to capitalise on this opportunity we have increased the scope of the Group's activities. This has meant expanding our product range into powered ventilation products, recruiting employees with knowledge and contacts in this new market and re-focusing sales and marketing activities towards a new customer base.

One disappointing aspect to the year was the withdrawal of the Regulation to fit trickle ventilators in all replacement windows. This requirement was originally included in the new Regulation and was expected to significantly increase annual revenue from the 2006/2007 financial year onwards. However, as already noted in the Chairman's Statement, the Regulation was withdrawn just before it was due to be implemented.

In addition to its UK activities, the Group exports its products to a range of overseas markets. The USA market is supplied through our wholly owned subsidiary, Titon Inc. Other than in the USA, the Group's policy on exports is to identify market opportunities, to appoint distributors within those markets, and to work closely with those distributors in the early years to effectively market the Titon brand. The 18% export revenue growth this year, on top of the 12% growth last year, is largely being derived from market activities set up several years ago. Further recent focus on increasing our distributor base should see this revenue growth continue in the next financial year.

During the financial year the Group has invested £1.48 million in net capital expenditure. A large proportion of this was to meet the new product requirement and the expected increase in demand as a result of the change in Regulation.

There have been no events since the balance sheet date that materially affect the position of the Group.

Principal risks and uncertainties

The policy that is adopted to identify and manage significant risks is set out on page 19.

The market for the supply of trickle ventilators and other fittings to the UK window industry remains highly competitive. The Group seeks to manage the risk of losing customers to the competition through the specification of product with end users and through maintaining strong relationships and local representation with key customers.

The UK market for ventilation is largely determined by regulation. Whilst the 2006 changes have just been released, it is likely that the pace of bringing forward amendment to regulation will increase. The Group recognises this and will continue to place a high emphasis on being involved in regulatory developments.

The supply of products from low cost economies poses an ongoing threat to the Group's manufacturing base and profitability. Over recent years we have been relatively successful in controlling our labour costs through the introduction of new technologies within our manufacturing processes. We have also sourced a limited amount of product from overseas. It is inevitable that cost pressures will continue and we will deal with this through additional process improvements, further outsourcing as well as a rationalisation of our product offering.

Product failure within the marketplace is a key risk area and the Group manages this risk through its BS EN ISO 9001: 2000 accredited quality procedures. Monthly meetings are held that include members of the senior management team where all product complaints received are discussed and appropriate action recommended.

As with any manufacturing organisation, health and safety matters represent an increasing area of risk. The Group employs a full time Health and Safety Officer and has an effective structure to support excellent Health and Safety practice including a Health and Safety Management Committee and Health and Safety Representatives in all areas of the business.

The Group maintains a comprehensive range of insurance policies covering its employees, assets and other risk areas, which are reviewed on an on-going basis.

The Group's exposure to credit and liquidity risks are set out in notes 13 and 18 to the consolidated financial statements.

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Parent Company in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Parent Company 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 of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 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.

Audit information

The Directors confirm that they have taken all necessary steps to make themselves aware of all information needed by the Group's auditors for the purposes of their audit and that all such information has been brought to the attention of the auditors.

Going concern

The Directors have reviewed the budgets, projected cash flows and other relevant information, and, on the basis of this review 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 £460,000 during the year (2005: £478,000).

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.

Substantial shareholders

As at 12 December 2006, 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

Directors and their interests in shares

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

	30 September 2006 Ordinary shares of 10p each	30 September 2005 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	13,150	10,000
C S Jarvis	55,000	66,500
C J Martin	63,850	45,000
K A Ritchie	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 14.

There were no changes in Directors' beneficial shareholdings between 30 September 2006 and 19 December 2006.

Directors' Report (continued)

Directors' indemnity

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Donations

During the year the Group made various charitable donations amounting to £1,000 (2005: £2,458).

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 Parent Company does not make any trade purchases.

In respect of the Group, year end trade creditors represent 49 days (2005: 55 days) average purchases.

Annual General Meeting

The Annual General Meeting will be held at the Titon Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 20 February 2007 commencing at 10.00 a.m. A Notice convening the Annual General Meeting of the Company for 2007 may be found on page 52 of this document.

The Directors' Report was approved by the Board on 19 December 2006 and signed by order of the Board:

D A Ruffell
Secretary

Directors' Remuneration Report

The Remuneration Committee presents its 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 2007. 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.

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.

Directors' Remuneration Report (continued)

Directors' contracts

All Executive Directors have service contracts, entered into on 1 August 2006, 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 2007.

All three of the Non-Executive Directors have service contracts, that do not contain notice periods and which expire on 31 January 2007. 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 2006, to provide consultancy services to a subsidiary company for the sum of £22,500.

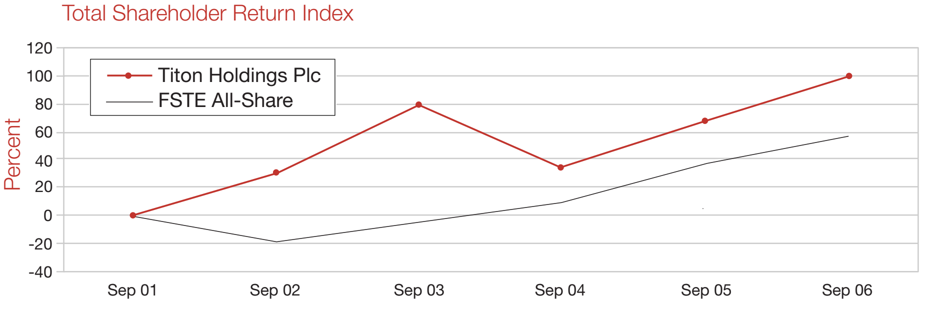
The Company's policy on the duration of, and notice periods and termination payments under, Directors' contracts is designed to attract and retain persons of the calibre required by the Company, with due regard being given to the interests of shareholders.

There are no pre-determined 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.

The Directors may not directly or indirectly hold any directorship or engage or be interested in any other business other than the Company or any other Group company during the term of their contracts without the previous written consent of the Board.

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 2006, of £1 invested in the Company on 30 September 2001 (assuming dividends reinvested) compared with the percentage change in value of £1 (assuming dividends 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	
	£'000	£'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
Executive:						
J N Anderson	112	21	**133**	130	**11**	11
T N Anderson	49	11	**60**	54	**5**	4
R Brighton	66	9	**75**	74	**7**	6
N C Howlett	57	11	**68**	63	**6**	5
C S Jarvis	56	9	**65**	64	**5**	5
C J Martin	59	8	**67**	66	**6**	6
D A Ruffell	86	14	**100**	97	**9**	8
Non-Executive:						
P W E Fitt	12	-	**12**	12	**-**	-
P E O'Sullivan *	25	-	**25**	25	**-**	-
K A Ritchie	3	-	**3**	1	**-**	-
	525	83	**608**	586	**49**	45

* Inclusive of £22,500 relating to consultancy fees for 2006 and 2005.

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

The aggregate gains made by Directors on the exercise of share options during 2006 are £2,000 (2005: £0).

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 2005	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2006
			Number	Number	Number	Number	Number
T N Anderson	(a)	103.0p	3,150	-	-	3,150	-
	(d)	103.5p	10,000	-	-	-	10,000
	(f)	91.0p	-	3,150	-	-	3,150
			13,150	3,150	-	3,150	13,150
R Brighton	(b)	86.5p	17,000	-	-	-	17,000
	(d)	103.5p	10,000	-	-	-	10,000
			27,000	-	-	-	27,000
N C Howlett	(a)	103.0p	3,750	-	3,750	-	-
	(b)	86.5p	6,250	-	-	-	6,250
	(d)	103.5p	10,000	-	-	-	10,000
	(e)	99.0p	10,000	-	-	-	10,000
			30,000	-	3,750	-	26,250
C S Jarvis	(a)	103.0p	10,000	-	-	10,000	-
	(b)	86.5p	17,000	-	-	-	17,000
	(d)	103.5p	10,000	-	-	-	10,000
	(f)	91.0p	-	10,000	-	-	10,000
			37,000	10,000	-	10,000	37,000
C J Martin	(a)	103.0p	7,350	-	7,350	-	-
	(c)	89.0p	1,250	-	-	-	1,250
	(d)	103.5p	10,000	-	-	-	10,000
			18,600	-	7,350	-	11,250
D A Ruffell	(a)	103.0p	14,000	-	-	14,000	-
	(b)	86.5p	17,000	-	-	-	17,000
	(d)	103.5p	25,000	-	-	-	25,000
	(f)	91.0p	-	14,000	-	-	14,000
			56,000	14,000	-	14,000	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 2006 and 19 December 2006.

Share options (continued)

The options are exercisable between the following dates:

(a)	16 January 1999	and	16 January 2006 (expired)
(b)	11 March 2001	and	11 March 2008
(c)	2 June 2002	and	2 June 2009
(d)	18 January 2005	and	18 January 2012
(e)	18 May 2008	and	18 May 2015
(f)	18 May 2009	and	18 May 2016

The Directors may only exercise share options 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 2006 the market price of the Company's shares was 121.5p, and the range during the year was 91.0p to 126.5p.

The Directors' Remuneration Report was approved by the Remuneration Committee on 19 December 2006 and signed on its behalf by:

P W E Fitt
Remuneration Committee Chairman

Corporate Governance Report

Compliance with the Combined Code on Corporate Governance

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 operates an employee performance management system that encompasses the Executive Directors.

- 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 17 to 19 describe how the principles identified in the Combined Code are applied by the Company.

The Board of Directors

As at 30 September 2006 the Board consisted of the Chairman, the Chief Executive, five other Executive Directors and three Non-Executive Directors.

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	4
R Brighton	5
N C Howlett	4
C S Jarvis	4
C J Martin	5
Non-Executive Directors	
P W E Fitt (Vice-Chairman)	5
P E O'Sullivan	2
K A Ritchie	2

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.

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 D A Ruffell, Mr C J Martin and Mr P W E Fitt. All three Directors, being eligible, offer themselves for re-election.

Corporate Governance Report (continued)

The Board of Directors (continued)

Mr D A Ruffell, aged 48, joined the Group in 1988 at the time of its flotation on the U.S.M. He was appointed Finance Director of Titon Hardware Limited in 1993, joined the main Board in 1997 as Group Finance Director and became Chief Executive in 2002. He has a service contract which expires on 31 July 2007.

Mr C J Martin, aged 51, joined the Company in 1983 as an Area Sales Manager, was promoted to National Sales Manager in 1988 and to Sales Director of the main operating subsidiary, Titon Hardware Limited, in 1997. He became a main Board Director in 1999 and has a service contract which expires on 31 July 2007.

Mr P W E Fitt, aged 60, has been a Non-Executive Director of the company since its flotation in 1988. He is a fellow member of the Institute of Chartered Accountants in England and Wales and was the Company's auditor before it became a public company. Mr Fitt also holds Directorship with The Colchester Catalyst Charity. His Non-Executive Director contract for services expires on 31 January 2007.

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.

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 11 to 15.

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 a 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;
- 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 or 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, BDO Stoy Hayward 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 tax compliance work only. The provision of these services represents a low risk to auditor independence which is safeguarded by separation of staff and supervision within BDO Stoy Hayward 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 Group'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 7 and 20.

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 Group's system of internal control by reviewing the procedures noted above and are satisfied that it is appropriate to the size of the business.

The Corporate Governance Report was approved by the Board on 19 December 2006 and signed on its behalf by:

JN Anderson
Chairman

Independent Auditors' Report

Independent Auditors' report to the shareholders of Titon Holdings Plc

We have audited the Consolidated and Parent Company Financial Statements (the ''Financial Statements'') of Titon Holdings Plc for the year ended 30 September 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company Financial Statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and 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 and whether, in addition, the Consolidated Financial Statements have been properly prepared in accordance with Article 4 of the IAS Regulation. Additionally, we report to you whether, the information given in the Directors' Report is consistent with those Financial Statements. We also report to you if, in our opinion, the Group 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 other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Group'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. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate Governance Report and the Five Year Summary, the Directors and Advisors and the Notice of Annual General Meeting. 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements 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 Consolidated Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2006 and of its profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company's Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30 September 2006;
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors

London
19 December 2006

Consolidated Income Statement

for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Revenue	2	**16,600**	16,436
Cost of sales		**12,439**	12,372
Gross profit		**4,161**	4,064
Distribution costs		**690**	648
Administrative expenses		**2,689**	2,388
		3,379	3,036
Operating profit		**782**	1,028
Finance income	4	**112**	151
Profit before taxation	5	**894**	1,179
Tax expense	6	**219**	328
Profit for the year attributable to the equity holders of the parent		**675**	851
Earnings per share - basic	8	**6.40p**	8.08p
- diluted	8	**6.40p**	8.06p

Consolidated Statement of Recognised Income and Expense for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Profit for the year attributable to the equity holders of the parent	17	**675**	851
Exchange difference on retranslation of net assets of subsidiary undertakings		**20**	(3)
Total recognised income and expense for the year attributable to equity holders of the parent		**695**	848

The notes on pages 25 to 44 form part of these financial statements.

Consolidated Balance Sheet

at 30 September 2006

	Note	2006 £'000	2005 £'000
Assets			
Property, plant and equipment	9	**5,009**	4,242
Intangible assets	10	**67**	6
Total non-current assets		**5,076**	4,248
Inventories	12	**2,950**	2,511
Trade and other receivables	13	**3,624**	3,695
Cash and cash equivalents		**2,078**	3,380
Total current assets		**8,652**	9,586
Total Assets		**13,728**	13,834
Liabilities			
Deferred tax	15	**170**	104
Total non-current liabilities		**170**	104
Trade and other payables	14	**2,362**	2,427
Bank overdraft		**9**	21
Corporation tax		**75**	144
Total current liabilities		**2,446**	2,592
Total Liabilities		**2,616**	2,696
Equity			
Share capital	16	**1,056**	1,053
Share premium reserve	17	**865**	841
Capital redemption reserve	17	**56**	56
Translation reserve	17	**17**	(3)
Share schemes reserve	17	**2**	1
Retained earnings	17	**9,116**	9,190
Total Equity attributable to equity holders of the parent	17	**11,112**	11,138
Total Liabilities and Equity		**13,728**	13,834

The notes on pages 25 to 44 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 19 December 2006 and signed on its behalf by:

J N Anderson
Chairman

Consolidated Cash Flow Statement

for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Cash generated from operating activities			
Operating profit		**782**	1,028
Depreciation of property, plant & equipment		**682**	594
Amortisation on intangible assets		**25**	5
(Increase) / decrease in inventories		**(424)**	69
Decrease / (increase) in receivables		**76**	(494)
(Decrease) / increase in payables and other current liabilities		**(66)**	270
Profit on sale of plant & equipment		**(22)**	(19)
Share based payment - equity settled		**1**	1
Cash generated from operations		**1,054**	1,454
Income taxes paid		**(221)**	(271)
Net cash generated from operating activities		**833**	1,183
Cash flows from investing activities			
Purchase of plant & equipment and intangible assets		**(1,485)**	(569)
Purchase of intangible assets		**(86)**	-
Proceeds from sale of plant & equipment		**58**	30
Interest received		**112**	151
Net cash used in investing activities		**(1,401)**	(388)
Cash flows from financing activities			
Dividends paid to equity shareholders		**(749)**	(747)
Proceeds from issue of share capital		**27**	-
Net cash used in financing activities		**(722)**	(747)
Net (decrease) / increase in cash & cash equivalents	20	**(1,290)**	48
Cash & cash equivalents at beginning of the year		**3,359**	3,311
Cash & cash equivalents at end of the year		**2,069**	3,359

The notes on pages 25 to 44 form part of these financial statements.

Notes to the Consolidated Financial Statements

at 30 September 2006

General information

The consolidated financial statements of the Group for the year ended 30 September 2006 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group").

The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 6.

The consolidated financial statements were authorised for release on 19 December 2006.

1 Significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union and issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the Group's reported financial position, financial performance and cash flows are given in notes 25, 26 and 27.

The Directors have elected to continue to prepare the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and these are presented separately at the end of this document on pages 45 to 50.

Changes to accounting policies

First-time adoption

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

Cumulative translation differences

IAS 21 -The Effects of Changes in Foreign Exchange Rates requires the classification of translation differences arising in connection with foreign operations to be classified as a separate component of equity. IFRS 1 exempts a first-time adopter from the retrospective application of IAS 21. The Group has applied this exemption, with the effect that cumulative translation differences for all foreign operations as at the date of transition are deemed to be nil.

Share based payments

The Group has applied IFRS 2 Share-based Payments to share option awards granted after 7 November 2002, but not vested by 1 January 2005. There is no material effect of accounting for equity settled share based payment transactions at fair values to retained earnings at 1 October 2004.

Business combinations

IFRS 1 exempts a first-time adopter from the retrospective application of IFRS 3 – Business Combinations to acquisitions made prior to the date of transition. The Group has taken advantage of this exemption and consequently no business combinations have been restated, as they all took place before the date of transition.

The financial information presented for the year ended 30 September 2005 has been restated to comply with IFRS.

Except as noted above, the following significant accounting policies have been applied consistently in the preparation of these financial statements.

(b) Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company (Titon Holdings Plc) and the entities controlled by the Company (its subsidiaries) made up to 30 September 2006. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the financial statements.

(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated at the rates ruling on the transaction date or at the contracted rate if the transactions have 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 income statement.

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.

(ii) Financial statements of foreign operations

The revenues and expenses of foreign operations are translated to pounds sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Any exchange difference arising is taken directly to reserves.

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 the translation reserve.

Upon disposal of overseas subsidiaries exchange differences arising from the translation of the financial statements of foreign operations are recycled and taken to the income statement. The Company has elected, in accordance with IFRS 1, that in respect of all foreign operations, any differences that have arisen before 1 October 2004 have been set to zero.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)).

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

(iii) 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% (or the lease term, if shorter)
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.

(e) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions was set off against reserves in accordance with Accounting Standards applicable at the time of acquisition. All business combinations occurred prior to 1 October 2004. Their accounting treatment has not been restated in preparing the Group's opening IFRS balance sheet at 1 October 2004 as the Group has taken advantage of the exemption not to restate acquisition prior to date of transition.

(ii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)).

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of other intangible assets from the date that they are available for use.

The amortisation period for computer software is three years.

(f) Inventories

Inventories 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. A charge is made to the income statement for the change in value of slow moving finished goods stocks. The charge is reviewed at each balance sheet date.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less the estimated impairment (see accounting policy (i)).

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and treasury deposits. The Group has no long term borrowings and any available cash surpluses are placed on deposit.

(i) Impairment

The carrying amount of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. Impairment losses are recognised in the income statement

Other intangible assets were tested for impairment at 1 October 2004, the date of transition to IFRS, and at 30 September 2005.

(i) Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Significant accounting policies (continued)

(j) Employee benefits

(i) Pension costs

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. Contributions to the pension scheme are charged to the income statement in the year in which they become payable.

(ii) Share-based payment transactions

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

In accordance with IFRS 2 – Share-based payments the fair value of the employee services received in exchange for the grant of options is recognised as an expense to the income statement and the corresponding credit recognised to the Share Schemes Reserve within equity. The Black-Scholes option pricing model has been used for calculating the fair value of the Group's share options. The Directors believe that this model is the most suitable for calculating the fair value of the equity based share options. Details of the inputs to the option pricing model are shown in note 22 - Share-based Payment to the financial statements.

The amount expensed to the income statement over the vesting period is determined by reference to the fair value of the options, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the Group revises its estimates of the number of option awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity - Share Schemes Reserve, over the remaining vesting period. No adjustment is made for failure to achieve market vesting conditions.

(iii) Accrued holiday pay

Provision is made at each balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. They are discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Research and development expenditure

Expenditure on research is charged to the income statement in the period in which it is incurred. Development costs are capitalised where they meet the criteria set out in IAS 38 - Intangible Assets and are amortised over their useful economic lives.

(n) Revenue

Revenue represents the value of goods delivered and accepted by external customers at invoiced amounts, less value added tax, net of customer settlement discounts.

(o) Finance income

Finance income comprises interest receivable on funds invested.

(p) Corporation and deferred tax

Tax on the profit or loss for the periods presented comprises current and deferred tax.

(i) Corporation tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(q) Leased assets

Operating leases represent leasing agreements that do not give rights approximating to ownership. Annual rentals are charged to the income statement on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total lease expense.

(r) Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

(s) Financial assets

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group holds only one class of financial assets, namely receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

(t) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liability was acquired. The Group holds only one class of financial liabilities, namely trade payables.

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

2 Revenue and segmental information

For management and internal reporting purposes, the Group's operations are currently analysed according to geographical regions. This is the basis on which the Group reports its primary segment information.

The Group's business is comprised of the following reportable geographic segments:

United Kingdom
Rest of the World

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment information about the geographic regions is presented below.

Geographic segments

	United Kingdom		Rest of the World		Consolidated	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
External	**14,427**	14,592	**2,173**	1,844	**16,600**	16,436
Intercompany	**-**	-	**291**	392	**291**	392
Total Revenue	**14,427**	14,592	**2,464**	2,236	**16,891**	16,828
Segment result	**2,197**	2,601	**247**	145	**2,444**	2,746
Unallocated expenses					**(1,662)**	(1,718)
Operating profit					**782**	1,028
Finance income					**112**	151
Profit before tax					**894**	1,179
Tax expense					**(219)**	(328)
Profit for the year attributable to the equity holders of the parent					**675**	851

Balance sheet	**2006 £'000**	2005 £'000
Assets - Segment total assets		
United Kingdom	**13,517**	13,496
Rest of World	**211**	338
Consolidated	**13,728**	13,834
Liabilities - Segment total liabilities		
United Kingdom	**2,603**	2,684
Rest of World	**13**	12
Consolidated	**2,616**	2,696

Other Information	**2006 £'000**	2005 £'000
Capital additions		
United Kingdom	**1,551**	569
Rest of World	**20**	-
Consolidated	**1,571**	569
Depreciation and amortisation		
United Kingdom	**700**	594
Rest of World	**7**	5
Consolidated	**707**	599

Business Segments

The Group's operations are separated between Group manufactured products and bought in products. The following table provides an analysis of the Group's external revenue by source of products, irrespective of the geographical region of sale.

	2006 £'000	2005 £'000
Group manufactured products	**9,760**	9,995
Bought in products	**6,840**	6,441
Revenue	**16,600**	16,436

3 Directors and employees

Staff costs, including Directors, were as follows:	**2006 £'000**	2005 £'000
Wages and salaries	**4,746**	4,411
Employer's social security costs and similar taxes	**423**	416
Defined contribution pension cost	**239**	232
Share based payment expense – equity settled	**1**	1
	5,409	5,060

The average monthly number of employees during the year was as follows:	**Number**	Number
Manufacturing	**182**	189
Sales, marketing and administration	**73**	68
	255	257

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 11 to 15.

Notes to the Consolidated Financial Statements

at 30 September 2006

4 Finance income

	2006 £'000	2005 £'000
Bank interest receivable on short term deposits	**112**	151

5 Profit before tax

This is arrived at after charging/(crediting):		2006 £'000	2005 £'000
Depreciation of property, plant and equipment		**682**	594
Amortisation of intangible assets		**25**	5
Research and development expenditure written off		**460**	478
Operating lease rentals	- land and buildings	**92**	92
Auditors' remuneration	- to principal auditors for statutory audit	**36**	27
	- to principal auditors for regulatory reporting	**5**	-
	- to principal auditors for tax compliance services	**3**	11
Profit on disposal of fixed assets		**(22)**	(19)

6 Tax expense

	Note	2006 £'000	2005 £'000
UK corporation tax		**191**	313
Adjustment in respect of over provision in prior years		**(33)**	(28)
Total UK corporation tax		**158**	285
Overseas tax		**7**	34
Adjustment in respect of over provision in prior years		**(11)**	-
Total Overseas tax		**(4)**	34
Total current tax		**154**	319
Deferred tax	15	**65**	9
Total tax		**219**	328

6 Tax expense (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:	2006 £'000	2005 £'000
Profit before tax	**894**	1,179
Effect of:		
Expected tax charge based on the standard rate of corporation tax in the UK of 30% (2005: 30%)	**269**	354
Difference between tax rates	**(10)**	-
Expenses not deductible for tax purposes	**10**	16
Capital allowances in excess of depreciation	**(14)**	(1)
Short term timing differences	**12**	(10)
Effect of difference in exchange rates	**(1)**	-
Adjustments in respect of prior periods	**(44)**	(28)
Intra group adjustment (profit in stock)	**(3)**	(3)
Total tax charge for the period	**219**	328

The effective tax rate for the year is 24.5% (2005 : 27.8%)

7 Dividends

	2006 £'000	2005 £'000
Final dividend of 4.8 pence (2005: 4.8 pence) per ordinary share paid and proposed during the year relating to the previous year's results	**506**	505
Interim dividend of 2.3 pence (2005: 2.3 pence) per ordinary share paid during the period	**243**	242
	749	747

The Directors are proposing a final dividend of 4.8 pence (2005: 4.8 pence) per share totalling £507,000 (2005: £506,000), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

Notes to the Consolidated Financial Statements
at 30 September 2006

8 Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:	**2006 £'000**	2005 £'000
Earnings		
Earnings for the purposes of basic earnings per share being profit after taxation attributable to members of Titon Holdings Plc	**675**	851
Shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**10,547,501**	10,528,800
Effect of dilutive potential ordinary shares : share options	**1,706**	48,052
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**10,549,207**	10,576,852
Earnings per share (pence)		
Basic	**6.40p**	8.08p
Diluted	**6.40p**	8.06p

9 Property, plant and equipment

	Freehold land and buildings £'000	Improvements to leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2004	3,422	102	6,924	616	11,064
Additions	15	10	384	160	569
Disposals	-	(70)	(94)	(94)	(258)
At 1 October 2005	3,437	42	7,214	682	11,375
Additions	-	-	1,180	305	1,485
Disposals	-	-	(229)	(313)	(542)
At 30 September 2006	3,437	42	8,165	674	12,318
Depreciation					
At 1 October 2004	532	96	5,816	340	6,784
Additions	63	8	395	128	594
Disposals	-	(70)	(93)	(82)	(245)
At 1 October 2005	595	34	6,118	386	7,133
Additions	63	8	453	158	682
Disposals	-	-	(229)	(277)	(506)
At 30 September 2006	658	42	6,342	267	7,309
Net book value					
At 30 September 2006	**2,779**	**-**	**1,823**	**407**	**5,009**
At 30 September 2005	2,842	8	1,096	296	4,242

At 30 September 2006, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £132,000 (2005 : £138,000).

10 Intangible assets

Computer software	2006 £'000	2005 £'000
Cost		
At beginning of year	**101**	103
Additions	**86**	-
Disposals	**(23)**	(2)
At end of year	**164**	101
Amortisation		
At beginning of year	**95**	92
Charge for the year	**25**	5
Disposals	**(23)**	(2)
At end of year	**97**	95
Net book value at the end of year	**67**	6

11 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership is given in Note 5 to the Parent Company's separate financial statements.

12 Inventories

	2006 £'000	2005 £'000
Raw materials and consumables	**310**	319
Work in progress	**763**	705
Finished goods and goods for resale	**1,877**	1,487
At end of year	**2,950**	2,511

No inventories (2005: £nil) are carried at fair value less costs to sell.

13 Trade and other receivables

	2006 £'000	2005 £'000
Trade debtors	**3,493**	3,578
Other debtors	**14**	24
Prepayments and accrued income	**117**	93
	3,624	3,695

The Group's credit risk is primarily attributable to its trade debtors. However, the Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

The average credit period taken on sale of goods by trade debtors is 65 days (2005: 66 days). The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The Directors consider that the carrying amount of trade receivables approximate to their fair value.

14 Trade and other payables

	2006 £'000	2005 £'000
Trade creditors	**1,570**	1,593
Other creditors	**62**	57
Other tax and social security taxes	**493**	443
Accruals	**237**	334
	2,362	2,427

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year end trade creditors represent 49 days (2005: 55 days) average purchases.

The Directors consider that the carrying amount of trade payables approximate to their fair value.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 October 2004	131	(35)	96
Charge/ (credit) to the income statement	21	(12)	9
At 1 October 2005	152	(47)	105
Charge to the income statement	51	14	65
At 30 September 2006	203	(33)	170

16 Share capital

	2006 £'000	2005 £'000
Authorised		
13,600,000 ordinary shares of 10p each	**1,360**	1,360

The movement during the year on the Company's issued and fully paid ordinary shares of 10p each was as follows:

	2006 Number	**2006 £'000**	2005 Number	2005 £'000
At beginning of the year	**10,528,800**	**1,053**	10,528,000	1,053
Employee share options exercised	**26,850**	**3**	-	-
At the end of the year	**10,555,650**	**1,056**	10,528,000	1,053

Share options

Options have been granted over the following number of ordinary shares which were outstanding at 30 September 2006:

Date granted	Number of shares	Subscription Price	Exercisable between		
24.12.96	6,300	82.0p	24.12.99	and	24.12.06
11.03.98	82,800	86.5p	11.03.01	and	11.03.08
16.12.98	25,750	89.5p	16.12.01	and	16.12.08
02.06.99	16,600	89.0p	02.06.02	and	02.06.09
18.01.02	137,600	103.5p	18.01.05	and	18.01.12
21.05.04	31,150	91.0p	21.05.07	and	21.05.14
18.05.05	26,300	99.0p	18.05.08	and	18.05.15
18.05.06	35,300	91.0p	18.05.09	and	18.05.16
	361,800				

All share options are granted at market value at the date of grant.

No share options were exercised between 30 September 2006 and 12 December 2006.

17 Changes in equity

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Share schemes reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2004	1,053	841	56	-	-	9,086	11,036
Profit for the year	-	-	-	-	-	851	851
Dividends paid	-	-	-	-	-	(747)	(747)
Share-based payment expense	-	-	-	-	1	-	1
Translation differences on overseas operations	-	-	-	(3)	-	-	(3)
At 30 September 2005	**1,053**	**841**	**56**	**(3)**	**1**	**9,190**	**11,138**
Profit for the year	-	-	-	-	-	675	675
Dividends paid	-	-	-	-	-	(749)	(749)
Shares issued under the Company's share option scheme	3	24	-	-	-	-	27
Share-based payment expense	-	-	-	-	1	-	1
Translation differences on overseas operations	-	-	-	20	-	-	20
At 30 September 2006	**1,056**	**865**	**56**	**17**	**2**	**9,116**	**11,112**

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value
Capital redemption	Cancellation of 10p ordinary shares
Translation reserve	Cumulative gains/losses arising on retranslating the net assets of overseas operations into Sterling
Share scheme	Cumulative expense of equity settled share based payments recognised in the consolidated income statement
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement and statement of recognised income and expense

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 net assets 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.

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	**2006 £'000**	2005 £'000
Sterling	**2,019**	3,299
US Dollar	**20**	13
Euro	**39**	68
	2,078	3,380

The Sterling financial assets have a weighted average interest rate of 4.1%, which was arranged monthly. The remainder comprise bank current accounts.

Financial liabilities

The Group's floating rate financial liabilities at 30 September 2006 comprise solely of a sterling bank overdraft in the sum of £9,000 (2005: £21,000) 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 Consolidated Financial Statements

at 30 September 2006

19 Leases

Operating leases

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

Operating leases which expire within:	2006 £'000	2005 £'000
One year	**-**	42
Two to five years	**228**	175

20 Notes supporting the cash flow statement

The table below provides an analysis of net cash and cash equivalents during the year ended 30 September 2006:

	2006 £'000	2005 £'000
Cash available on demand	**58**	118
Short-term deposits	**2,020**	3,262
Overdraft	**(9)**	(21)
	2,069	3,359
Net cash (decrease) / increase in cash and cash equivalents	**(1,290)**	48
Cash and cash equivalents at beginning of year	**3,359**	3,311
Cash and cash equivalents at end of year	**2,069**	3,359

21 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 (2005: £29,000).

22 Share-based payment

Equity settled share option scheme

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

There are presently two equity settled 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 Group, 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.

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.

In accordance with IFRS 2, the fair value of outstanding equity settled share based option awards to employees, which have been granted after 7 November 2002, but not vested as at 1 January 2005, are recognised as an expense to the income statement.

The vesting period of all share option schemes is three years. If the options remain unexercised after a period of ten years from the date of grant, or on an employee leaving the group, the options expire.

Details of the share options outstanding during the year are as follows:

	2006	2006	2005	2005
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	396,800	96.2p	413,100	100.3p
Granted during the year	35,300	91.0p	26,300	99.0p
Lapsed during the year	(43,450)	101.6p	(42,600)	137.0p
Exercised during the year	(26,850)	98.1p	-	-
Outstanding at the end of the year	361,800	95.0p	396,800	96.2p
Exercisable at the end of the year	6,300	82.0p	68,450	99.1p

The weighted average share price at the date of exercise for share options exercised during the period was 118.4p (2005: nil). The options outstanding at 30 September 2006 had a weighted average price of 95.0p (2005: 96.2p) and a weighted average remaining contractual life of 4.0 years (2005: 3.7 years). In the year to 30 September 2006 options were granted on 18 May 2006. The aggregate of the estimated fair values of the options granted in the year was £5,000 (2005: £4,000).

The Black-Scholes option pricing model has been used for calculating the fair value of the Group's share options. The calculated fair values of the share option awards are adjusted to reflect actual and expected vesting levels.

The inputs to the Black-Scholes model were as follows:

	2006	2005
Weighted average exercise price (pence)	91.0p	99.0p
Share price volatility	29.0%	29.0%
Expected life of the share option	6 years	6 years
Risk free rate of return	4.75%	4.73%
Expected dividend yield	6.50%	6.50%

Assumptions used in the option pricing model

a) The vesting period for a share option is expected to be 6 years from the date of grant of the share option.

b) Each issue of share option awards is re-assessed, at each balance sheet date, to calculate the total fair value of share options. The fair value of share options is charged to the income statement over the 6 year expected vesting period.

c) Share price volatility is calculated by looking back six years from the date of grant for each share option, as it is expected that the historic volatility in the share price is the best measure of likely movement in the share price in the future and therefore during the expected average vesting period of six years from the date of grant, until the date of exercise.

d) Volatility has been calculated using the historic weekly movement, rather than daily movement, in the Company's share price as this is, in the opinion of the Directors, the most reasonable measure of the share price.

e) Dividend yields are expected to be similar to those in recent years.

f) A risk free rate of return has been used based on the Bank of England zero coupon rates.

23 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no transactions, agreements or other arrangements, direct or indirect, during the year in which the Directors had any interest. Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. Their remuneration is disclosed in the Remuneration Report on page 13 of this document.

24 Explanation of transition to IFRS

This is the first year that the Group has presented its consolidated financial statements under IFRS. In preparing the opening balance sheet at 1 October 2004 (the Group's date of transition) and financial statements for the year ended 30 September 2005, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP.

IFRS 1 - First-time Adoption of International Financial Reporting Standards permits or requires certain exemptions from the general principle of retrospective application. Where permitted, the Group has utilised exemptions when retrospective application would result in little or no added usefulness in terms of the information presented and where retrospective application would require the use of hindsight, which is specifically precluded by IFRS 1.

The following summarises the Group's application of the IFRS 1 exemptions:

Cumulative translation differences

IAS 21 - The Effects of Changes in Foreign Exchange Rates requires the classification of translation differences arising in connection with foreign operations to be classified as a separate component of equity. IFRS 1 exempts a first-time adopter from the retrospective application of IAS 21. The Group has applied this exemption, with the effect that cumulative translation differences for all foreign operations as at the date of transition are deemed to be nil.

Share based payments

The Group has applied IFRS 2 Share-based Payments to share option awards granted after 7 November 2002 not accounted for under UK GAAP.

There is no material effect of accounting for equity settled share based payment transactions at fair values to retained earnings at 1 October 2004.

Business combinations

IFRS 1 exempts a first-time adopter from the retrospective application of IFRS 3 - Business Combinations to acquisitions made prior to the date of transition. The Group has taken advantage of this exemption and consequently no business combinations have been restated as they all took place before the date of transition.

25 Reconciliation of equity

	Note	At 1.10.04 UK GAAP	At 1.10.04 Effect of Transition to IFRS	At 1.10.04 IFRS	At 30.9.05 UK GAAP	At 30.9.05 Effect of Transition to IFRS	At 30.9.05 IFRS
		£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Property, plant and equipment	(a)	4,291	(11)	4,280	4,248	(6)	4,242
Intangible assets	(a)	-	11	11	-	6	6
Total non-current assets		4,291	-	4,291	4,248	-	4,248
Inventories		2,580	-	2,580	2,511	-	2,511
Trade and other receivables		3,201	-	3,201	3,695	-	3,695
Cash and cash equivalents		4,017	-	4,017	3,380	-	3,380
Total current assets		9,798	-	9,798	9,586	-	9,586
Total Assets		14,089	-	14,089	13,834	-	13,834
Liabilities							
Deferred tax		95	-	95	104	-	104
Total non-current liabilities		95	-	95	104	-	104
Trade and other payables	(d)	2,660	(505)	2,155	2,932	(505)	2,427
Bank overdraft		706	-	706	21	-	21
Corporation tax liability		97	-	97	144	-	144
Total current liabilities		3,463	(505)	2,958	3,097	(505)	2,592
Total Liabilities		3,558	(505)	3,053	3,201	(505)	2,696
Equity							
Share capital		1,053	-	1,053	1,053	-	1,053
Share premium reserve		841	-	841	841	-	841
Capital redemption reserve		56	-	56	56	-	56
Translation reserve	(b)	-	-	-	-	(3)	(3)
Share schemes reserve	(c)	-	-	-	-	1	1
Retained earnings		8,581	505	9,086	8,683	507	9,190
Total Equity		10,531	505	11,036	10,633	505	11,138
Total Liabilities and Equity		14,089	-	14,089	13,834	-	13,834

Notes to the Reconciliation of Equity

(a) Intangible assets

Computer software previously included within Property Plant and Equipment under UK GAAP is reclassified under IFRS as intangible assets. On transition to IFRS at 1 October 2004 assets with a net book value of £11,000 have been reclassified as intangible assets.

(b) Foreign exchange translation of overseas operations

The effect at 30 September 2005 is to increase retained earnings and decrease the translation reserve by £3,000.

(c) Share based payments

The effect of IFRS accounting for equity settled share based payment transactions at fair values is to recognise a cost of £1,000 for share option awards for the period ended 30 September 2005. Accordingly, the share scheme reserve at 30 September 2005 is increased by £1,000 and retained earnings are decreased by £1,000.

(d) Dividends

Under UK GAAP dividends were provided for when proposed even if this was after the balance sheet date. Under IAS 10 - Events after the Balance Sheet Date, this is not allowed.

Accordingly, Trade and other payables at:

- 30 September 2004 - trade and other payables have been reduced by £505,000, for the proposed final dividend for the period ending 30 September 2004. The dividend was paid from reserves on 18 February 2005.
- 30 September 2005 - trade and other payables have been reduced by £505,000, for the proposed final dividend for the period ending 30 September 2005. The dividend was paid from reserves on 24 February 2006.

26 Reconciliation of profit for 2005

		UK GAAP	Effect of Transition to IFRS	IFRS
		£'000	£'000	£'000
Revenue		16,436	-	16,436
Operating profit	(a)	1,029	(1)	1,028
Finance income		151	-	151
Profit before taxation		1,180	(1)	1,179
Taxation expense		(328)	-	(328)
Profit for the period attributable to the equity holders of the parent		852	(1)	851

(a) Share based payments

The effect of accounting for equity settled share based payment transactions at fair values is to reduce operating profit by £1,000 for the year ended 30 September 2005.

27 Reconciliation of cash flow for 2005

Under IAS 7 "Cash Flow Statements" the definition of cash is extended to "cash and cash equivalents" which includes movements on short term deposits. The presentation of the cash flow statement has therefore changed to include these cash equivalents. Other than this disclosure change there is no impact on reported cash flows as a result of transition to IFRS.

Parent Company Balance Sheet
at 30 September 2006

	Note	2006 £'000	2005 £'000 As restated
Fixed sssets			
Tangible assets	4	**2,837**	2,889
Investments	5	**202**	202
		3,039	3,091
Current assets			
Debtors	6	**4,791**	3,575
Cash at bank and in hand		**2,020**	3,262
		6,811	6,837
Creditors : amounts falling due within one year		**(113)**	(131)
Net current assets		**6,698**	6,706
Total assets less current liabilities		**9,737**	9,797
Deferred taxation		**(207)**	(210)
		9,530	9,587
Capital and reserves			
Called up share capital	9	**1,056**	1,053
Share premium account	10	**865**	841
Capital redemption reserve	10	**56**	56
Profit and loss account	10	**7,553**	7,637
Equity shareholders' funds	10	**9,530**	9,587

The notes on pages 46 to 50 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 19 December 2006 and signed on its behalf by:

J N Anderson
Chairman

Notes to Parent Company Financial Statements
at 30 September 2006

Titon Holdings Plc (the Company) is incorporated in the United Kingdom under the Companies Act 1985. The address and the registered office are given on page 55.

1 Significant accounting policies

(a) Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) and law.

Changes to accounting policies

Events after the balance sheet date

The Company has adopted FRS21 'Events after the balance sheet date'. Previously, equity dividends declared after the balance sheet date were recognised as liabilities at the year end. In accordance with FRS 21 and recent changes in the law, if an equity dividend is declared after the balance sheet date, but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the balance sheet date.

The adoption of FRS 21 has resulted in an increase in shareholders funds of £505,000, at 1 October 2005 due to the write back of the dividend proposed at 30 September 2005.

Share based employee remuneration

The Company has adopted FRS 20 'Share-based payment'. This has been applied to all share options awards which have been granted to employees and have not vested at 1 October 2004. A charge is recognised on the same basis as that recognised for the Group under IFRS 2 (see page 41). Where the Company will be issuing shares to satisfy share awards made by its subsidiaries the parent records a capital contribution equal to the fair value of the share-based payment incurred by its subsidiaries except to the extent that the subsidiaries reimburse the parent.

The effect of FRS 20 accounting for equity settled share based payments is to recognise a cost of £1,000 for share option awards for the period ended 30 September 2005. Accordingly, the share scheme reserve at 30 September 2005 is increased by £1,000 and the Profit and Loss account is decreased by £1,000.

(b) Property and other fixed assets

(i) Owned assets

Items of property and other fixed assets are stated at cost or deemed cost less accumulated depreciation (see below).

(ii) 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%
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.

(c) 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.

(d) Share-based payment transactions

The Company provides share option schemes for Directors and for other Group employees.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense to the profit and loss account. The amount expensed to the profit and loss account over the vesting period is determined by reference to the fair value of the options, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the Company revises its estimates of the number of options awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit and loss account, with a corresponding adjustment to equity shareholders' funds, over the remaining vesting period. No adjustment is made for failure to achieve market vesting conditions.

(e) Investments

Fixed assets investments are held at cost less any provision for impairment.

2 Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Titon Holdings Plc reported a profit after tax for the financial year ended 30 September 2006 of £664,000 (2005 as restated: £1,296,000).

3 Directors and employees

Staff costs, including Directors, were as follows:	**2006 £'000**	2005 £'000
Wages and salaries	**550**	530
Employer's social security costs and similar taxes	**58**	56
Defined contribution pension cost	**49**	45
	657	631
The average monthly number of employees during the year was as follows:	**Number**	Number
	10	10

Notes to Parent Company Financial Statements
at 30 September 2006

4 Tangible assets

Company	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
At beginning of year	3,437	74	3,511
Additions	-	30	30
Disposals	-	(22)	(22)
At end of year	3,437	82	3,519
Depreciation			
At beginning of year	595	27	622
Charge for the year	63	19	82
Disposals	-	(22)	(22)
At end of year	658	24	682
Net book value at 30 September 2006	**2,779**	**58**	**2,837**
At 30 September 2005	2,842	47	2,889

5 Fixed asset investments

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

Investments comprise 100% direct shareholdings of the ordinary share capital in the following principal subsidiaries, all of which are included in the consolidated financial statements.

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 subsidiaries listed above, the country of operation is the same as the country of incorporation.

6 Debtors

	2006 £'000	2005 £'000
Trade debtors	2	2
Amounts owed by subsidiaries	4,789	3,573
	4,791	3,575

7 Creditors: Amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdrafts	-	21
Trade creditors	2	2
Other creditors	-	1
Corporation tax	10	22
Accruals	101	85
	113	131

The bank overdraft is unsecured.

8 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 October 2005	218	(8)	210
Credit to the income statement	(3)	-	(3)
At 30 September 2006	215	(8)	207

Notes to Parent Company Financial Statements

at 30 September 2006

9 Share capital

	2006 £'000	2005 £'000
Authorised		
13,600,000 ordinary shares of 10p each	**1,360**	1,360

The movement during the year on the Company's issued and fully paid ordinary shares of 10p each was as follows:

	2006 Number	2006 £'000	2005 Number	2005 £'000
At beginning of the year	**10,528,800**	**1,053**	10,528,800	1,053
Employee share options exercised	**26,850**	**3**	-	-
At the end of the year	**10,555,650**	**1,056**	10,528,800	1,053

10 Reconciliation of shareholders funds and movement on reserves

	Share capital	Share premium reserve	Capital redemption reserve	Profit and loss account	Total Equity
				As restated	As restated
	£'000	£'000	£'000	£'000	£'000
At 30 September 2005	1,053	841	56	7,637	9,587
Profit for the year	-	-	-	664	664
Dividends paid	-	-	-	(749)	(749)
Shares issued under the Company's share option scheme	3	24	-	-	27
Share-based payment expense	-	-	-	1	1
At 30 September 2006	1,056	865	56	7,553	9,530

Included within retained earnings is £111,000 of goodwill (2005: £111,000) arising on business combinations in prior years, and prior to the implementation of FRS 10.

Five Year Summary

at 30 September 2006

Summarised consolidated results

	IFRS	IFRS	UK GAAP	UK GAAP	UK GAAP
	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Results					
Revenue	16,600	16,436	16,401	16,310	15,283
Gross Profit	4,161	4,064	3,896	4,421	4,304
Operating profit	782	1,028	937	1,369	1,386
Net Interest	112	151	125	150	167
Taxation	219	328	305	433	463
Dividends	749	747	749	718	785
Basic earnings per share	6.40p	8.08p	7.19p	10.19p	9.85p
Assets Employed					
Property, plant & equipment	5,009	4,242	4,291	4,025	3,347
Net funds	2,069	3,359	3,311	3,666	4,870
Net current assets	6,206	6,994	6,335	6,541	7,439
Financed by					
Shareholders' funds: all equity	11,112	11,138	10,531	10,498	10,688

The five year summary does not form part of the audited financial statements.

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP as it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS are explained in note 24 to the Consolidated Financial Statements which provides an explanation of the transition to IFRSs.

UK GAAP results have not been retrospectively restated to reflect changes to financial reporting standards in subsequent years.

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 the Titon Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 20 February 2007 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 2006.

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

3. To re-elect D A Ruffell as a Director of the Company.

4. To re-elect C J Martin as a Director of the Company.

5. To re-elect P W E Fitt as a Director of the Company.

6. To re-appoint BDO Stoy Hayward 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 7 and 10 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions.

7. 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) this 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 18 May 2008 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 19 December 2006).

(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.

8. THAT

(a) Conditionally upon the passing of Resolution 7 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 7 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 4.7% of the existing issued share capital of the Company as at 19 December 2006);

(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 18 May 2008 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 7 above" were omitted.

9. 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 1,055,000 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 18 August 2008, 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)

10. THAT

the Directors' Remuneration Report set out on pages 11 to 15 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 0JL

D A Ruffell
Secretary
19 December 2006

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 19 February 2007 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 19 February 2007 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 20 February 2007, 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

SECRETARY AND REGISTERED OFFICE
D A Ruffell
International House
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COMPANY REGISTRATION NUMBER
1604952

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SOLICITORS
Macfarlanes
10 Norwich Street
London EC4A 1BD

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