Titon Holdings Plc

2009 Annual Report & Accounts

Titon®

Annual Report and Financial Statements

for the year ended 30 September 2009

Contents

Business Review

Financial Performance

Loss before Tax for the year to 30 September 2009 was £210,000 (2008: loss £59,000), on Revenue 14.2% lower at £14.05 million (2008: £16.38 million). Losses per share were 1.91p (2008: 2.50p); the prior year figure having been adversely affected by a high deferred tax charge.

...the fourth quarter saw some confidence return to the market...

As reported at the interim stage, the loss for the first six months of the year was £366,000 as the sharp downturn in construction activity had a major impact on profitability. Difficult trading conditions continued into the third quarter but the fourth quarter saw some confidence return to the market and sales volumes improved. This increase in sales activity, combined with a much-reduced cost base, has allowed a modest profit of £156,000 to be recorded for the second half of the year.

One of our key objectives throughout the recession has been to preserve cash resources. We are pleased to report that Net Cash Balances at the year end were £3.10 million compared to £2.54 million at the start of the year. This has been achieved despite providing a further £400,000 working capital to the Korean manufacturing operation and maintaining the interim dividend. Tight control over our inventory levels has been necessary and these have fallen by £450,000 (18%) over the year to a level of £2.06 million (2008: £2.51 million).

Given the loss for the full year the Directors have considered very carefully the level of final dividend that should be paid and are proposing 1.0p per share (2008: 1.0p). This, when added to the interim dividend paid on 24 June 2009 makes a total for the year of 2.0p (2008: 2.0p).

If approved by shareholders, at the forthcoming Annual General Meeting, the dividend will be payable on 22 February 2010 to shareholders on the register on 22 January 2010. The ex dividend date is 20 January 2010.

Trading Commentary

Trading results for the year reflect the severe conditions experienced across the majority of the markets in which we operate. Whilst the first half of the year for the industry continued to be tough, by June there were signs of a slight recovery. Even though it was still evident that many of our customers were experiencing difficulties, a measured optimism began to emerge. An increase in activity began to occur in the market, and those who were benefiting from this slight improvement started to place increased orders with us. By August, this increase began to put stress on our reduced production capabilities, and consequently a small number of new temporary staff were employed.

Sales of our in-house manufactured mechanical ventilation range have shown strong growth throughout the year, albeit from a low base. We have steadily increased our mechanical ventilation sales team and our technical back up team over the year in order to capitalise on the market leading products that we have designed. Titon is now recognised as a significant player in the growing market of energy efficient ventilation systems and we anticipate building on this in the coming year.

Our joint venture with our South Korean distributor, Browntech Sales Co. Ltd., is developing into a vibrant operation. It is understandable that there was a temporary slowdown in demand for its products during the early part of this year due to the world recession, but the business is now moving forward. Although this operation has been loss-making over the year, the increase in new contracts for our Titon Korea factory indicates a promising future for our investment.

New Titon website

Titon®

Business Review (continued)

Employees

As reported at the interim stage, further redundancies have been made during the year mainly as a result of the decline in our window and door hardware sales. The total number of redundancies was 19 at a cost of £136,000. The downsizing that we have undertaken has been part of a very traumatic period for the Group and those who have had to take redundancy, along with their families, have naturally suffered from this difficult process. Once again, we express our gratitude and best wishes to them.

The total number of employees was 171 as at 30 September 2009, 24 lower than at the end of September 2008. This decrease is in addition to the reduction of 61 in the previous financial year.

Prospects

Market conditions continue to be uncertain, and forecasting remains extremely difficult. However, Titon remains financially strong and is well positioned to take maximum advantage of the UK market when it eventually emerges out of recession. We now have a highly focused work force, and a very exciting and competitive range of new powered ventilation products. Our in-house design and development team continues to develop innovative products to take advantage of the changing trends in domestic ventilation, and all of our sales teams are proactively seeking out new areas of opportunity. The next revision of the Building Regulations for England and Wales is expected to be announced over the coming weeks and to take effect some time in 2010. These Regulations are likely to increase the requirement for energy efficient ventilation systems over the next few years as building quality levels are further enhanced. The inclusion of trickle ventilators in all replacement windows is, once again, being considered.

Our global markets, whilst mirroring the problems experienced in our home market, have also shown a slight improvement in the last quarter, and we have shown our further commitment to this vital part of our business by increasing our export sales staff. Further initiatives to increase our overseas sales are planned for the coming year.

Whilst there are now a few encouraging signs in most of our markets, we acknowledge that 2009/2010 will still be a challenging one for Titon, but one which we approach with cautious enthusiasm.

On behalf of the Board

John Anderson
Chairman

D A Ruffell
Chief Executive
9 December 2009

Directors' Report

The Directors present their report and the Group financial statements for the year ended 30 September 2009.

Results and dividends

The consolidated income statement is set out on page 23 and shows a loss after tax of £202,000 (2008: loss £264,000) for the year.

The Directors recommend the payment of a final ordinary dividend of 1.0p (2008: 1.0p) per ordinary share. This, when taken with the interim dividend of 1.0p (2008: 1.0p) per ordinary share paid on 24 June 2009, gives a total dividend of 2.0p (2008: 2.0p) per ordinary share for the year ended 30 September 2009.

Principal activities, trading review and future developments

Principal activities

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

The Group markets a comprehensive range of passive and powered ventilation products to house builders, electrical contractors and window manufacturers. In addition to this, it is a leading supplier of window handles, hinges and locking mechanisms to its window-manufacturing customers.

Trading review and future developments

The Business Review contains information relating to Group trading activity throughout the year. The Directors have considered the Group's Key Performance Indicators and these are disclosed in the Business Review. Further explanation and analysis is given below.

Revenues, which had declined throughout most of the previous financial year, continued to fall for the first six months of the year, reflecting the deep worldwide recession in the construction industry. As a result of the severe downturn and including the exceptional costs of redundancies of £82,000, the 1st half-year produced a loss before tax of £366,000. Although the third quarter continued to disappoint, an upturn in the last quarter resulted in an overall profit before tax of £156,000 during the 2nd half year, despite a further £54,000 of redundancy costs.

The Group has continued to place great emphasis on reducing its cost base in line with decreasing revenues. Much of this reduction has been in payroll costs which, excluding redundancy payments, were £883,000 (17%) lower than the previous year. The reduced number of employees has resulted in Revenue per employee increasing to £80,000 compared to £70,000 in 2007/08.

In addition to reducing payroll costs, the Directors have had to make savings across a broad range of overhead areas during the year. The effect of these measures has been to reduce overheads by £627,000 in addition to the payroll savings.

As sales within our South Korean 'Joint Venture' operation have increased over the year, there has been the need to expand our Titon Korea manufacturing operation and to inject further working capital to support growth. £400,000 of additional funding has been provided over the year bringing our total investment in this market to £1,080,000.

The depreciation of Sterling against the Euro over the year has continued to have an adverse affect on our profitability as the costs of products that we import from Mainland Europe have risen at a time when our customers are looking for price reductions. However, the decision to manufacture our own mechanical ventilation units has reduced the need to import similar units and has helped to improve our margins on these ranges. The level of bad debts experienced has been lower this year reflecting a general improvement in customer liquidity. The amount written off as bad debts for the year was £84,000 (2007/08: £146,000).

Although it has been disappointing to record a further loss this year, the Directors are pleased with the result of the measures taken to deal with the recession and to preserve the financial strength of the Group. Particularly important was the need to retain a strong net cash position as the banking crisis made borrowing money an unpalatable prospect. Group net assets at the end of the year were £9.80 million including £3.10 million of cash.

Vital to the strength of our business is our increasingly strong customer base. Even though sales revenues have been reduced during the year and a few customers have gone into liquidation, Titon has been able to retain its market presence and maintain the high level of service that has been our hallmark for many years.

Our in-house manufactured mechanical ventilation products are being well received by UK developers and specifiers and are making a good contribution to our Revenues. During the second half of the year we have launched a further three models of our SAPQ Approved HRV (Heat Recovery Ventilation) Units which now allow us to provide this particular ventilation solution for the vast majority of sized dwellings. In addition, we have launched our SAPQ Approved MEV (Mechanical Extract Ventilation) Unit which offers excellent performance characteristics as well as unique features over competitor products. We are committed to developing new products in order to further enhance our growing presence within this market.

Directors' Report (continued)

Principal risks and uncertainties

Despite the slight market improvement in recent months, the Directors are aware of the significant risks that the Group faces as economies across the world attempt to recover from the devastating effects of the global financial crisis.

Financial instrument risk management

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency exchange risk. More information regarding the Group's approach to these risks are set out in note 21 to the consolidated financial statements.

The Group's credit risk is primarily attributable to its trade receivables. Exposure to credit risk is generally spread over a large number of customers and the Group adopts stringent procedures to ensure that credit risks are well managed.

The Group's banking facilities are designed to ensure that there are sufficient funds available for current operations and the Group's further development plans.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translational risk. The Group considers the overall translational risk to be small given the nature and overall size of its foreign investments.

Operational risk management

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance. The Group has a system of risk management which identifies these items and seeks ways of mitigating such risks as far as possible. The key risks which the Group believes it is exposed to are summarised below.

The policies that are adopted to identify and manage significant risks are set out in full on page 20.

Key commercial relationships

Whilst the Group has a diverse range of customers there are certain key customers who account for a significant part of total revenue. Some risk exists that the current performance of the Group may not be maintained if such relationships were not to continue. Key customer accounts are therefore continuously monitored by nominated Directors. The Group considers it not to be in the interests of shareholders to disclose the names of key customers.

42% of Group revenue (2008: 43%) comprises products purchased from other UK and European manufacturing entities. The ongoing supply of product lines by Maco Door and Window Hardware (UK) Ltd, A/S Peder Nielsen Beslagfabrik, Securistyle Limited, Sobinco S.A. and certain mechanical ventilation suppliers are important to Group profits and the relationships with key suppliers are also handled by a nominated Director.

The recession has concentrated the Directors' minds on the quality, the financial strength and the stability of all customers and suppliers. Constantly striving to gain greater knowledge of their trading ability and quality of product and service has resulted in more stringent appraisals being conducted. It is our aim to build in yet more refined analysis of all customers and suppliers to ensure that they will be performing to satisfactory levels.

Competition

The market for the supply of Ventilation Systems and Window Hardware remains highly competitive. The Group seeks to manage the risk of losing customers to competition through the development of new products, 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. The Group recognises that the bringing forward of amendment to regulation is likely to accelerate and we will, therefore, continue to place a high emphasis on consideration of regulatory developments.

Reliance on production facilities

The Group manufactures a significant proportion of the products that it sells. Appropriate levels of inventory, along with duplication of key processes, tooling and component supplies have been established in order to minimise the risks involved by possible disruption to production facilities. In addition the Group has established procedures to minimise the risks of fire and other major disruption.

Product quality and product breakdown

The Group operates comprehensive BS EN ISO 9001: 2008 procedures in the UK to ensure that product complaints are quickly and effectively dealt with. Monthly meetings are held that include members of the senior management team where both product quality and product complaint issues are discussed and appropriate action recommended. Effective Quality Control systems form part of the BS EN ISO 9001: 2008 procedures and are embedded within the culture of the Group.

Other risks

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 a robust Health and Safety policy. This includes 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.

Post balance sheet events

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

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for its other stakeholders.

The Group considers its capital to comprise ordinary share capital, share premium and accumulated retained earnings. Neither the translation reserve nor the share schemes reserve are considered as capital. There have been no changes in what the Group considers to be capital since 2007/8.

In order to maintain or adjust its working capital at an acceptable level and meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

The Group does not seek to maintain any particular debt to capital ratio, but will consider investment opportunities on their merits and fund them in the most effective manner.

Environmental issues

The Group recognises the importance of a high commitment to environmental matters and has maintained its ISO 14001: 2004 Environmental Management System throughout the year.

The Group complies with current applicable legislation of the countries in which it operates; and will conduct operations such that:

- emissions to air, releases to water and land filling of wastes do not cause unacceptable environmental impacts and do not offend the community;
- significant plant and process changes are assessed and positively authorised in advance to prevent adverse environmental impacts;
- energy is used efficiently and consumption is monitored;
- natural resources are used efficiently;
- raw material waste is minimised;
- waste is reduced, reused or recycled where practicable;
- the amount of packaging used for our products is minimised.

As part of its processes the Group's environmental performance is reviewed monthly by senior management and a programme of continuous improvement for the benefit of customers, employees and the environment has been adopted.

Directors' responsibilities

The Directors are responsible for keeping adequate accounting records that show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006, and as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year. The Directors are required to prepare financial statements for the Group in accordance with Article 4 of the IAS Regulation and have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;

Directors' Report (continued)

- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing a Directors' Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

Website publication

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. 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.

Directors' responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Directors' Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description or the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

The Directors at the time of approving the Directors' Report are listed on below. Having made enquiries of fellow Directors and of the Officers of the Company, each of the Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors and their interests in shares

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

		30 September 2009 Ordinary shares of 10p each	30 September 2008 Ordinary shares of 10p each
J N Anderson	Chairman	2,237,802	2,237,802
D A Ruffell	Chief Executive	71,000	71,000
T N Anderson	Sales & Marketing Director	192,500	192,500
R Brighton	Managing Director (Manufacturing)	20,000	20,000
P W E Fitt	Non-executive Director and Vice Chairman	-	-
N C Howlett	Development & Sustainability Director	13,750	13,750
C S Jarvis	Export Director	45,000	45,000
C J Martin	Supply Chain Director	63,850	63,850
K A Ritchie	Non-executive Director (resigned 1 July 2009)	n/a	1,077,280
P E O'Sullivan	Non-executive Director	-	-

Details of Directors' share options are given in the Directors' Remuneration Report on page 15. There were no changes in Directors' beneficial shareholdings between 30 September 2009 and 17 December 2009.

Directors liability insurance and indemnity

The Company has purchased liability insurance cover, which remains in force at the date of the report, for the benefit of the Directors of the Company which gives appropriate cover for legal action brought against them. The Company also provides an indemnity for its Directors (to the extent permitted by law) in respect of liabilities which could occur as a result of their office. This indemnity does not provide cover should a Director be proved to have acted fraudulently or dishonestly.

Substantial shareholders

As at 17 December 2009, the Company had been notified of the following voting interests in its ordinary share capital, disclosable under the Financial Services Authority's Disclosure and Transparency Rules 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 C Ritchie	967,280	9.2
Mrs A Clipsham	893,579	8.5

Share capital

The ordinary share capital at 30 September 2009 consisted of 10,555,650 Titon Holdings Plc shares of 10p each. There were no changes during the year to the Company's ordinary share capital.

Details of the authorised and issued share capital of the Company as at 30 September 2009 are set out in note 18 of the Notes to the Financial Statements.

Purchase of own shares

The Company has authority from shareholders to purchase up to 10% of its own ordinary shares in the market. This authority was not used during the year nor in the period to 17 December 2009. The Board intends to seek shareholder approval to renew the authority at this year's Annual General Meeting.

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, companies are permitted to hold purchased shares rather than cancelling them. The Board has no current intention to purchase shares as treasury shares.

Going concern

The Group's business activities, together with the factors likely to effect the Group's performance are set out in the Directors' Report on page 5.

The Groups financial position and cash flows are described in the Directors' Report on pages 5 and 6. In addition, note 21 to the financial statements includes the Group's risk management objectives and policies; managing its financial risk and its exposures to credit risk, foreign exchange risk and liquidity risk.

The Group has considerable financial resources together with a diverse range of customers, and suppliers, across different geographic areas and markets. As a consequence the Directors believe that the Group is well placed to manage business risks successfully in the current economic climate.

The Directors have reviewed the budgets, projected cash flows and other relevant information for a period of 15 months from the balance sheet date. 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 as the need to provide increasingly energy efficient ventilation products will be a feature of our market over the coming years.

Investment in research and development amounted to £368,000 during the year (2008: £455,000). Expenditure on internally developed products, capitalised in 2009, amounted to an additional £44,000 (2008: £39,000) – see note 11 of the financial statements.

Directors' Report (continued)

Disabled employees

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

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

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

Employee involvement

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

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

Creditor payment policy

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

In respect of the Group, year end trade creditors represent 62 days (2008: 56 days) average purchases.

Donations

During the year the Group made various charitable donations amounting to £50 (2008: £1,000).

Annual General Meeting

The Annual General Meeting will be held at the Titon Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 17 February 2010 commencing at 10.00 a.m. A Notice convening the Annual General Meeting of the Company for 2010 may be found on page 53 of this document.

At the Annual General Meeting shareholders will be asked, as items of special business to give power to the Directors to allot shares, to give power to the Directors to disapply the pre-emption requirements of section 561 of the Companies Act 2006, to give power to the Directors to make market purchases of ordinary shares in the capital of the Company, subject to certain conditions, to approve the Directors' Remuneration Report and to approve certain matters connected with share schemes. The Notice also sets out details of the ordinary business to be conducted at the Annual General Meeting. Set out below in an explanation of the effect and purpose of the resolutions proposed.

Resolution 1- receive and adopt the audited accounts

The Directors recommend that the Company adopt the reports of the Directors and the Auditors and the audited accounts of the Company for year ended 30 September 2009.

The Directors' Report was approved by the Board on 17 December 2009 and signed by order of the Board.

Resolution 2 - to declare a final dividend

The Directors recommend a final dividend of 1.0 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 22 February 2010 to shareholders of the register on 22 January 2010.

Resolution 3 - to re-elect Mr David Alan Ruffell as a Director

Resolution 4 - to re-elect Mr Christopher James Martin as a Director

Resolution 5 - to re-elect Mr Ronald Brighton as a Director

The Company's Articles of Association state that one third of the directors shall retire from office at each annual general meeting.

Resolution 6 - to re-appoint BDO LLP as auditors

This resolution proposes that BDO LLP should be re-appointed as the Company's Auditors and authorises the Directors to determine their remuneration.

Resolution 7 - authority to allot shares

The Companies Act 2006 prevents directors of a public company from allotting unissued shares, other than pursuant to an employee share scheme, without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot shares, which was granted at the Annual General Meeting held on 17 February 2009, will expire at the end of this year's Annual General Meeting. Resolution 7 in the notice of Annual General Meeting will be proposed, as an ordinary resolution, to authorise the Directors to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £250,000, representing approximately 23.7% of the nominal value of the ordinary shares in issue on 17 December 2009 (excluding treasury shares). The Company does not currently hold any shares in treasury.

The authority conferred by the resolution will expire 16 May 2011 or, if sooner, at the end of next year's Annual General Meeting.

The Directors have no present plans to allot unissued shares other than on the exercise of share options under the Company's employee share option schemes. However, the Directors believe it to be in the best interests of the Company that they should continue to have this authority so that such allotments can take place to finance appropriate business opportunities that may arise.

Resolution 8 - to approve the Directors' Remuneration Report

The Companies Act 2006 requires listed companies to put a resolution to shareholders at each annual general meeting to approve the Directors' Remuneration Report, which forms part of the annual report. The vote is advisory in nature.

Resolution 8 in the Notice of Annual General Meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the Remuneration Report, which can be found on pages 13 to 16 of this document.

Resolution 9 - to disapply pre-emption rights

Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. These are known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held on 17 February 2009 will expire at the end of this year's Annual General Meeting. Accordingly, resolution 9 in the Notice of Annual General Meeting will be proposed, as a special resolution, to give the Directors power to allot shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £50,000 (representing approximately 4.7% of the nominal value of the ordinary shares in issue on 17 December 2009).

The power conferred by this Resolution will expire on 16 May 2011 or, if sooner, at the end of next year's Annual General Meeting.

Resolution 10 - Company's authority to purchase its own shares

Resolution 10 in the Notice of Annual General Meeting, which will be proposed as a special resolution, will authorise the Company to make market purchases of up to 1,055,565 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 17 December 2009. The maximum price per share that may be paid shall be the higher of: (i) 5% above the average of the middle market quotations for an ordinary share for the five business days immediately before the day on which the purchase is made (exclusive of expenses); and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (exclusive of expenses). The minimum price shall not be less than 10p per share.

The authority conferred by this resolution will expire on 16 May 2011 or, if sooner, at the end of next year's Annual General Meeting.

Your Directors are committed to managing the Company's capital effectively. Although the Directors have no plans to make such purchases, buying back the Company's ordinary shares is one of the options they keep under review. Purchases would only be made after considering the effect on earnings per share, and the benefits for shareholders generally.

The Company may hold in treasury any of its own shares that it purchases in accordance with the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

As at 17 December 2009, there were options outstanding over 192,200 ordinary shares which, if exercised at that date, would have represented 1.8 % of the Company's issued ordinary share capital (excluding treasury shares). If the authority given by resolution 9 were to be fully used, these would then represent 2.0 % of the Company's issued ordinary share capital.

Directors' Report (continued)

Resolutions 11, 12 and 13:

Share Option Schemes

The Company has operated executive share option schemes since 1988. The latest schemes expired in October 2008 meaning no options may now be granted under them. The Directors have considered what arrangements should be established for the future and believe that executive share option schemes are an appropriate means of incentivising key management and staff of the Group. The Directors have therefore decided to introduce new executive share option schemes to replace those that have expired.

The Directors propose that the Company adopts two new executive share option schemes, the Company Scheme (which will be approved by the Inland Revenue) and the Executive Scheme (which will not be so approved) (together the "New Schemes"). The New Schemes are essentially updated versions of the expired schemes. The Inland Revenue imposes a limit of £30,000 on the value of approved executive options (granted pursuant to the Company Scheme) which can be held by an individual at any one time. The Executive Scheme will therefore give the Remuneration Committee the flexibility to grant executive options above a value of £30,000 in appropriate cases. The sum of options granted to any individual under the Executive Scheme will be limited to four times their annual remuneration at the time of each grant.

Provided the Company Scheme remains approved at the time of exercise, holders of options granted under the Company Scheme (who are UK income tax payers) will be entitled to income tax relief when they exercise their options. However, this income tax relief will not be available on the exercise of options granted under the Executive Scheme because this scheme will not be approved by the Inland Revenue. The benefits under the Schemes will not be pensionable.

The exercise of options granted under the New Schemes will be subject to the satisfaction of a performance condition imposed by the Remuneration Committee. It is proposed that the exercise of initial options granted under the new schemes will be subject to a requirement that 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 must exceed the growth in the retail prices index over the same period by at least 9%.

Further details of the New Schemes are contained in the Appendix on pages 57 to 59.

Recommendation

The Directors believe that the resolutions which are to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend that all shareholders vote in favour of them, as each of the Directors intends to do, in respect of his or her beneficial holding.

The Directors' Report was approved by the Board on 17 December 2009 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 17 February 2010. The report has been prepared in accordance with the requirements of the Companies Act 2006, 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. Other than share option schemes, there are 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. The Company grants options at the discretion of the Remuneration Committee.

Options are currently held under 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 ability to issue new options under these schemes has now expired and the Directors will be seeking shareholder approval to introduce new share option schemes at the forthcoming AGM. The exercise of options granted under all of 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 (the performance conditions are detailed in note 25 to the Financial Statements). Actual earnings per share performance will be determined by the Remuneration Committee. New employee share option schemes are planned to be introduced in February 2010.

Directors' Remuneration Report (continued)

Directors' contracts

All Executive Directors have service contracts, entered into on 1 August 2009, 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 2010.

Both of the Non-executive Directors have service contracts, that do not contain notice periods and which expire on 31 January 2010. 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 February 2009, to provide consultancy services to a subsidiary company for the sum of £18,175.

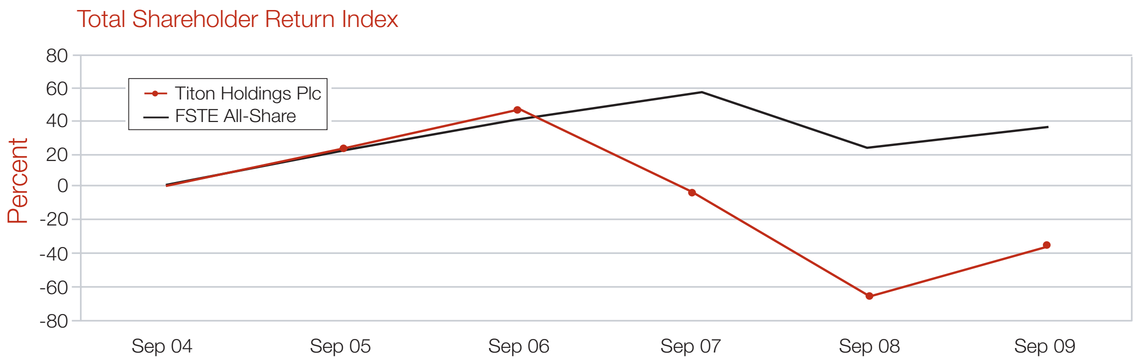
The Company's policy on the duration of, and notice periods and termination payments under, Directors' contracts is designed to attract and retain persons of the calibre required by the Company, with due regard being given to the interests of shareholders.

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 of £1 invested in the Company on 30 September 2004 (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

The following disclosures on Directors' remuneration and share options have been audited.

Directors' remuneration

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

	Salary and fees	Benefits	Total emoluments		Pension contributions	
	£'000	£'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Executive:						
J N Anderson	70	26	**96**	113	**5**	5
T N Anderson	67	12	**79**	78	**6**	6
R Brighton	69	10	**79**	78	**7**	7
N C Howlett	67	5	**72**	75	**6**	6
C S Jarvis	61	8	**69**	68	**6**	6
C J Martin	61	8	**69**	69	**6**	6
D A Ruffell	88	13	**101**	100	**9**	9
Non-executive:						
P W E Fitt *	10	-	**10**	11	**-**	-
P E O'Sullivan **	21	-	**21**	22	**-**	-
K A Ritchie - resigned 1 July 2009	2	-	**2**	3	**-**	-
	516	82	**598**	617	**45**	45

* Inclusive of £4,000 relating to consultancy fees for 2009 (2008: nil).

** Inclusive of £18,175 relating to consultancy fees for 2009 (2008: £19,616)

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 2009 were £nil (2008: £nil).

Directors' Remuneration Report (continued)

Share options

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

		Exercise price per share	At 1 October 2008	Lapsed during the year	At 30 September 2009
			Number	Number	Number
T N Anderson	(b)	103.5p	10,000	-	10,000
	(d)	91.0p	3,150	-	3,150
			13,150	-	13,150
R Brighton	(b)	103.5p	10,000	-	10,000
			10,000	-	10,000
N C Howlett	(b)	103.5p	10,000	-	10,000
	(c)	99.0p	10,000	-	10,000
			20,000	-	20,000
C S Jarvis	(b)	103.5p	10,000	-	10,000
	(d)	91.0p	10,000	-	10,000
			20,000	-	20,000
C J Martin	(a)	89.0p	1,250	1,250	-
	(b)	103.5p	10,000	-	10,000
			11,250	1,250	10,000
D A Ruffell	(b)	103.5p	25,000	-	25,000
	(d)	91.0p	14,000	-	14,000
			39,000	-	39,000

P W E Fitt and P E O'Sullivan 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 2009 and 17 December 2009.

The options are exercisable between the following dates:

(a)	2 June 2002	and	2 June 2009 (expired)
(b)	18 January 2005	and	18 January 2012
(c)	18 May 2008	and	18 May 2015
(d)	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 2009 the market price of the Company's shares was 41.5p, and the range during the year was 16.5p to 42.5p.

The Directors' Remuneration Report was approved by the Remuneration Committee on 17 December 2009 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 June 2008 Combined Code on Corporate Governance except in the following areas:

- The Company has seven Executive Directors and two Non-executive Directors. The Non-executive Directors are not deemed to be independent under the provisions of paragraph A.3.2 of the Code in respect of the Board comprising at least two independent Non-executive directors. However, 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 Directors' 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 20 describe how the principles identified in the Combined Code are applied by the Company.

Corporate Governance Report (continued)

Composition and operation of the Board of Directors

As at 30 September 2009 the Board consisted of the Chairman, the Chief Executive, five other Executive Directors and two 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 with 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 Board and principal Board Committee Meetings held during the financial year is shown in the table below.

	Main Board	Remuneration Committee	Audit Committee
Total meetings held	**5**	**1**	**1**
J N Anderson	5	1	-
D A Ruffell	5	1	1
T N Anderson	4	-	-
R Brighton	5	-	-
N C Howlett	5	-	-
C S Jarvis	5	-	-
C J Martin	5	-	-
P W E Fitt	4	1	1
P E O'Sullivan	4	-	-
K A Ritchie (resigned 1 July 2009)	4	-	-

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 R Brighton. All three Directors, being eligible, offer themselves for re-election.

David Ruffell, aged 51, 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 2010.

Chris Martin, aged 54, joined the Company in 1983, 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. In November 2008 Chris took on the new position of Supply Chain Director and has a service contract which expires on 31 July 2010.

Ron Brighton, aged 59, has been with the Group for 31 years. Since 1995 he has held the position of Manufacturing Division Managing Director of the main operating subsidiary, Titon Hardware Ltd, and has been on the main Board for the last 12 years. He has a service contract which expires on 31 July 2010.

A statement of Directors' interests 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 13 to 16.

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 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; and
- 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 LLP, have been instructed to carry out non-audit work during the year as detailed in note 6 to the financial statements. The non-audit work primarily comprised tax compliance work. The provision of these services represents a low risk to auditor independence which is safeguarded by separation of staff and supervision within BDO LLP.

Corporate Governance Report (continued)

Communications with shareholders

The Board recognises the importance of communications with shareholders. The Business Review 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 Group's results and other announcements are published to the London Stock Exchange RNS service and on the Company's website.

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, 8, 21 and 22.

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 Company has a shareholding in an associate company. Controls within this entity may not be reviewed as part of the Company's formal corporate governance process due to the local delegation of managerial responsibilities, but instead are reviewed as part of the normal internal audit process.

The Corporate Governance Report was approved by the Board on 17 December 2009 and signed on its behalf by:

JN Anderson
Chairman

Independent Auditors' Report

Independent Auditors' report to the members of Titon Holdings Plc

We have audited the financial statements of Titon Holdings Plc for the year ended 30 September 2009 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. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Christopher Pooles (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Reading
United Kingdom
17 December 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

for the year ended 30 September 2009

		Note	**2009 £'000**	2008 £'000
Revenue		3	**14,053**	16,375
Cost of sales			**(10,993)**	(12,803)
Gross profit			**3,060**	3,572
Distribution costs			**(625)**	(762)
Administrative expenses			**(2,654)**	(2,958)
Finance income		5	**37**	101
Share of losses from associate		13	**(28)**	(12)
Loss before tax		6	**(210)**	(59)
Tax credit / (expense)		7	**8**	(205)
Loss for the year attributable to the equity holders of the parent			**(202)**	(264)
Loss per share	- basic	9	**(1.91p)**	(2.50p)
	- diluted	9	**(1.91p)**	(2.50p)

Consolidated Statement of Recognised Income and Expense

for the year ended 30 September 2009

	Note	**2009 £'000**	2008 £'000
Loss for the year attributable to the equity holders of the parent	19	**(202)**	(254)
Exchange difference on retranslation of overseas operations	19	**(14)**	(32)
Total recognised income and expense for the year attributable to equity holders of the parent		**(216)**	(296)

The notes on pages 26 to 46 form part of these financial statements.

Consolidated Balance Sheet

at 30 September 2009

	Note	2009 £'000	2008 £'000
Assets			
Property, plant and equipment	10	**3,972**	4,395
Intangible assets	11	**88**	61
Investments in associates	13	**185**	213
Financial assets	15	**103**	100
Total non-current assets		**4,348**	4,769
Inventories	14	**2,057**	2,507
Trade and other receivables	15	**2,947**	3,224
Corporation tax		**8**	-
Cash and cash equivalents	20	**3,096**	2,546
Total current assets		**8,108**	8,277
Total Assets		**12,456**	13,046
Liabilities			
Deferred tax	16	**361**	366
Total non-current liabilities		**361**	366
Trade and other payables	17	**2,266**	2,427
Bank overdraft		**23**	18
Corporation tax		**-**	5
Total current liabilities		**2,289**	2,450
Total Liabilities		**2,650**	2,816
Equity			
Share capital	18	**1,056**	1,056
Share premium reserve	19	**865**	865
Capital redemption reserve	19	**56**	56
Translation reserve	19	**(13)**	1
Share schemes reserve	19	**9**	6
Retained earnings	19	**7,833**	8,246
Total Equity attributable to equity holders of the parent	19	**9,806**	10,230
Total Liabilities and Equity		**12,456**	13,046

The notes on pages 26 to 46 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 17 December 2009 and signed on its behalf by:

J N Anderson
Chairman

Consolidated Cash Flow Statement

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Cash generated from operating activities			
Loss before tax		**(210)**	(59)
Depreciation of property, plant & equipment		**616**	641
Amortisation on intangible assets		**30**	37
Decrease in inventories		**437**	476
Decrease in receivables		**274**	541
(Decrease) / increase in payables and other current liabilities		**(161)**	225
Loss / (profit) on sale of plant & equipment		**8**	(11)
Share based payment – equity settled		**3**	3
Interest received		**(37)**	(101)
Share of associate loss		**28**	12
Cash generated from operations		**988**	1,764
Income taxes (paid) / refunded		**(11)**	27
Net cash generated from operating activities		**977**	1,791
Cash flows from investing activities			
Acquisition of shares in associate		**-**	(225)
Purchase of property, plant & equipment		**(206)**	(405)
Purchase of intangible assets		**(57)**	(40)
Proceeds from sale of plant & equipment		**5**	42
Interest received		**37**	101
Net cash used in investing activities		**(221)**	(527)
Cash flows from financing activities			
Dividends paid to equity shareholders		**(211)**	(301)
Issue of loan to associate		**-**	(100)
Net cash used in financing activities		**(211)**	(401)
Net increase in cash & cash equivalents	23	**545**	863
Cash & cash equivalents at beginning of the year		**2,528**	1,665
Cash & cash equivalents at end of the year		**3,073**	2,528

The notes on pages 26 to 46 form part of these financial statements.

Notes to the Consolidated Financial Statements

at 30 September 2009

General information

The consolidated financial statements of the Group for the year ended 30 September 2009 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group"). Titon Holdings Plc shares are publicly traded on the Official List of the London Stock Exchange.

The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 5.

The consolidated financial statements were authorised for release on 17 December 2009.

1 Summary of 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 2006 applicable to companies preparing their accounts under IFRS.

The Directors have prepared the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and these are presented separately on pages 47 to 52.

During the period, the following new standards, amendments and interpretations to existing standards were published.

i New IFRS standards applied by the Group

There were no standards, interpretations and amendments to existing standards published and effective in the current financial year relevant to the Group.

ii New IFRS standards not applied by the Group

Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group:

	Effective date (periods beginning)
• IFRS 8 – Operating Segments replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 – Disclosures About Segments of an Enterprise and Related Information. The new standard uses a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.	1 January 2009
• IAS 1 - Presentation of Financial Statements Revised. This is a comprehensive revision introducing the requirement for a statement of comprehensive income that includes all non-owner changes in equity.	1 July 2009
• Revised IFRS 1 - First-time Adoption of international Financial Reporting Standards	1 July 2009
• Amendment to IFRS 2 - Share-based Payment: Vesting Conditions and Cancellations	1 January 2009
• Revised IFRS 3 - Business Combinations	1 July 2009
• Amendments to IFRS 1 and IAS 27 - Cost of an Investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
• IFRIC 15 - Agreements for the Construction of Real Estate	1 January 2009
• IFRIC 17 - Distributions of Non-cash Assets to Owners	1 July 2009
• Amendment to IAS 23 - Borrowing Costs	1 January 2009
• Amendments to IAS 27 - Consolidated and Separate Financial Statements	1 July 2009
• Amendments to IAS 32 and IAS 1 - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
• IAS 39 - Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009

(b) Basis of consolidation

Subsidiaries

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 2009. 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.

Associates

Where the group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost.

The group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the group's investment in the associate are not recognised unless there is an obligation to make good those losses. Profits and losses arising on transactions between the group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of the investment in associates is subject to impairment in the same way as goodwill arising on a business combination (see accounting policy (h)).

(c) Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into Sterling, which is the functional and presentational currency of the Company, at rates approximating those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (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 consolidated income statement as part of the profit or loss on disposal. 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. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

All sales from the Group's UK business are invoiced in sterling.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation.

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.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment is to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings	-	2% per annum straight line
Improvements to leasehold property	-	20% per annum straight line (or the lease term, if shorter)
Plant and equipment	-	10% to $33^1/_3$% per annum straight line
Motor vehicles	-	25% per annum straight line

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 (see accounting policy (h)).

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at 30 September 2009

(e) Intangible assets

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

i Goodwill

Goodwill arising on acquisitions was set off against reserves in accordance with Accounting Standards applicable at the time of acquisition. For all business combinations occurring prior to 1 October 2004, their accounting treatment was not restated in preparing the Group's opening IFRS balance sheet at 1 October 2004. The Group took advantage of the exemption not to restate acquisitions prior to the date of transition.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition and is subject to annual impairment testing. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill associated with the acquisition of associates is included within the investment in associates.

ii Internally generated intangible assets (development costs)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- there is an intention to complete the intangible asset and use or sell it;
- an ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are amortised using the straight line method over their estimated useful lives, which is normally between 3 and 5 years. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

iii Computer software

Costs incurred on the acquisition of computer software are capitalised if they meet the recognition criteria of IAS 38. Computer software costs recognised as assets are written off over their estimated useful lives, which is normally between 3 and 7 years.

iv 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.

v Amortisation

Amortisation of internally generated development assets is charged to the income statement on a straight-line basis over the remaining estimated useful lives from the date that the products are available for sale to customers. The remaining useful lives of such development assets are assessed with the Directors annually.

(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 slow moving finished goods stocks. The charge is reviewed at each balance sheet date.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank overdrafts and treasury deposits for cash flow purposes. The Group has no long term borrowings and any available cash surpluses are placed on deposit.

(h) 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 asset's recoverable amount is estimated. Impairment losses are recognised in the income statement.

Reversals of impairment

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.

(i) Employee benefits

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.

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 over the vesting period of the option 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 25 to the financial statements.

The fair value of the options are determined 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. No adjustment is made for failure to achieve market vesting conditions.

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.

(j) 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.

(k) 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.

(l) Finance income

Finance income comprises interest receivable on funds invested.

Notes to the Consolidated Financial Statements

at 30 September 2009

(m) Corporation and deferred taxes

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

Corporation tax

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

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 a 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.

(n) 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.

(o) Dividends

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

(p) 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 loans and receivables which comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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 receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value and subsequently carried at amortised cost.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within distribution expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, such as short term fixed deposits with banks, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, such as short term fixed deposits with banks, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

(q) 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, which are initially recognised at fair value and subsequently carried at amortised cost.

(r) Business combinations

The consolidated financial statements incorporate the results of business using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

2 Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of inventory

The Group reviews its inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimate of the future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the Group operates (see note 14 of the Consolidated Financial Statements).

Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in note 1 (d). The selection of these estimated lives requires the exercise of management judgement.

Impairment of assets

Investments and property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit is determined based on value in-use calculations prepared on the basis of management's assumptions and estimates (see notes 1 (h) and 10 of the Consolidated Financial Statements).

Useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods (see notes 1 (e) and 11 of the Consolidated Financial Statements).

Share-based payments

The charge for share-based payment is calculated in accordance with the assumptions described in note 25. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free rate of return and expected staff turnover. The Directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Notes to the Consolidated Financial Statements
at 30 September 2009

3 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	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
External	**11,864**	14,538	**2,189**	1,837	**14,053**	16,375
Intercompany	**-**	-	**177**	300	**177**	300
Total Revenue	**11,864**	14,538	**2,366**	2,137	**14,230**	16,675
Segment result	**1,551**	2,080	**44**	74	**1,595**	2,154
Unallocated expenses					**(1,814)**	(2,302)
Losses from associate					**(28)**	(12)
Finance income					**37**	101
Loss before tax					**(210)**	(59)
Tax credit / (expense)					**8**	(205)
Loss for the year attributable to the equity holders of the parent					**(202)**	(264)

Balance sheet	**2009 £'000**	2008 £'000
Assets - Segment total assets		
United Kingdom	**11,544**	12,604
Rest of World	**904**	442
Consolidated	**12,448**	13,046
Liabilities - Segment total liabilities		
United Kingdom	**2,403**	2,668
Rest of World	**239**	148
Consolidated	**2,642**	2,816

3 Revenue and segmental information (continued)

Other information	2009 £'000	2008 £'000
Capital additions		
United Kingdom	**234**	327
Rest of World	**29**	118
Consolidated	**263**	445
Depreciation and amortisation		
United Kingdom	**615**	667
Rest of World	**31**	11
Consolidated	**646**	678

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.

	2009 £'000	2008 £'000
Group manufactured products	**8,077**	9,351
Bought in products	**5,976**	7,024
Revenue	**14,053**	16,375

4 Directors and employees

Staff costs, including Directors, were as follows:	2009 £'000	2008 £'000
Wages and salaries	**3,865**	4,662
Employer's social security costs and similar taxes	**351**	421
Defined contribution pension cost	**206**	237
Share based payment expense – equity settled	**3**	3
	4,425	5,323

The average monthly number of employees during the year was as follows:	Number	Number
Manufacturing	**104**	157
Sales, marketing and administration	**72**	76
	176	233

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 13 to 16.

Notes to the Consolidated Financial Statements
at 30 September 2009

5 Finance income

	2009 £'000	2008 £'000
Bank interest receivable on short term deposits	**37**	101

6 Loss before tax

This is arrived at after charging/(crediting):		2009 £'000	2008 £'000
Depreciation of property, plant and equipment		**616**	641
Amortisation of intangible assets		**30**	37
Research and development expenditure written off		**368**	455
Operating lease rentals	- land and buildings	**87**	137
Foreign exchange gains		**(43)**	(6)
Share based payment expense		**3**	1
Loss / (profit) on disposal of fixed assets		**8**	(11)
Auditors' remuneration	- to principal auditors for statutory audit	**38**	36
	- to principal auditors for tax compliance services	**10**	6
	- to principal auditors for other services	**1**	3
	- Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company	**-**	27
	- All other services	**2**	10

7 Tax (credit) / expense

	Note	2009 £'000	2008 £'000
UK corporation tax credit		**(8)**	(26)
Adjustment in respect of over provision in prior years		**6**	5
Total UK corporation tax		**(2)**	(21)
Total overseas tax		**-**	31
Total current tax		**(2)**	10
Deferred tax	16	**(6)**	195
Total tax (credit) / expense		**(8)**	205

7 Tax (credit) / expense (continued)

The charge for the year can be reconciled to the loss per the income statement as follows:	**2009 £'000**	2008 £'000
Loss before tax	**(210)**	(59)
Effect of:		
Expected tax charge based on the standard rate of corporation tax in the UK of 21% (2008: 20.5%)	**(44)**	(12)
Additional deduction for R&D expenditure	**(29)**	(33)
Expenses not deductible for tax purposes	**40**	31
Unrelieved tax losses and other deductions	**27**	19
Adjustment in respect of IBAs	**(6)**	221
Effect of difference in exchange rates	**(2)**	-
Adjustments in respect of prior periods	**6**	(21)
Total tax (credit) / expense for the year	**(8)**	205

The effective tax rate for the year is 3.8% (2008: 347%)

The total tax charge for 2008 was affected by the adjustment for Industrial Buildings Allowances (IBAs) which will be phased out over a period of four years.

8 Dividends

	2009 £'000	2008 £'000
Final 2008 dividend of 1.0 pence (2008: 2.3 pence) per ordinary share paid and proposed during the year relating to the previous year's results	**106**	196
Interim dividend of 1.0 pence (2008: 1.0 pence) per ordinary share paid during the year	**105**	106
Unclaimed dividend returned	**-**	(1)
	211	301

The Directors are proposing a final dividend of 1.0 pence (2008: 1.0 pence) per share. This will result in a final dividend totalling £106,000 (2008: £106,000), 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 2009

9 Loss per ordinary share

The calculation of the basic and diluted loss per share is based on the following data:	**2009 £'000**	2008 £'000
Numerator		
Loss for the purposes of basic loss per share being loss after tax attributable to members of Titon Holdings Plc	**(202)**	(264)
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic loss per share - at the beginning and end of the year	**10,555,650**	10,555,650
Loss per share (pence)		
Basic	**(1.91p)**	(2.50p)
Diluted	**(1.91p)**	(2.50p)

Certain employee options have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year. The total number of options in issue is disclosed in the note 25.

10 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 2007	3,437	48	7,004	689	11,178
Additions	12	2	306	85	405
Disposals	-	-	(247)	(172)	(419)
At 1 October 2008	3,449	50	7,063	602	11,164
Additions	4	3	183	16	206
Disposals	-	-	(793)	(31)	(824)
At 30 September 2009	3,453	53	6,453	587	10,546
Depreciation					
At 1 October 2007	721	45	5,400	350	6,516
Charge for the year	64	3	421	153	641
Disposals	-	-	(244)	(144)	(388)
At 1 October 2008	785	48	5,577	359	6,769
Charge of the year	64	2	419	131	616
Disposals	-	-	(783)	(28)	(811)
At 30 September 2009	849	50	5,213	462	6,574
Net book value					
At 30 September 2009	**2,604**	**3**	**1,240**	**125**	**3,972**
At 30 September 2008	2,664	2	1,486	243	4,395

10 Property, plant and equipment (continued)

The Directors are not aware of any events or changes in circumstances during the year which would have a significant impact on the carrying value of the Group's property, plant and equipment at the balance sheet date.

At 30 September 2009, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £92,000 (2008: £112,000).

11 Intangible assets

	Computer software	Development costs (Internally generated)	Total
	£'000	£'000	£'000
Cost			
At 1 October 2007	190	-	190
Additions	1	39	40
At 1 October 2008	191	39	230
Additions	13	44	57
At 30 September 2009	204	83	287
Depreciation			
At 1 October 2007	132	-	132
Charge for the year	37	-	37
At 1 October 2008	169	-	169
Charge for the year	20	10	30
At 30 September 2009	189	10	199
Net book value at 30 September 2009	**15**	**73**	**88**
At 30 September 2008	22	39	61

The Group has contractual commitments for computer software costs of £nil (2008 - £12,000).
All assets have an average useful economic life of 2.2 years (2008: 0.8 years)

12 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.

Notes to the Consolidated Financial Statements

at 30 September 2009

13 Associates

The following entities meet the definition of an associate, the Group considers it has power to exercise significant influence, and have been equity accounted in these consolidated financial statements:

Name of associate	**Country of incorporation**	**Proportion of voting rights held at 30 September 2008 and 2009**
BrownTech Sales Co. Ltd	South Korea	49%

The remaining 51% shareholding of BrownTech Sales Co. Ltd is held by South Korean investors who, through the their voting shares, have operational control of the company.

The Group's share of the aggregated amounts relating to associates is as follows:

	2009 £'000	2008 £'000
Total Assets	**398**	268
Total Liabilities	**298**	137
Revenues	**496**	59
Losses	**(28)**	(12)

The investment in the associate at 30 September 2009 includes £197,000 (2008: £197,000) of goodwill.

The associate BrownTech Sales Co. Ltd has been included based on audited financial statements drawn up to for the nine month period to 30 September 2009.

Transactions between the associate and the Group are set out in note 26.

14 Inventories

	2009 £'000	2008 £'000
Raw materials and consumables	**410**	517
Work in progress	**427**	543
Finished goods and goods for resale	**1,220**	1,447
	2,057	2,507

No inventories (2008: £nil) are carried at fair value less costs to sell.

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net debit of £108,000 (2008: net credit £24,000) to the Consolidated Income Statement in relation to the inventory provisions. The movements in the inventory provisions are included within cost of sales in the Consolidated Income Statement.

15 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	**2,838**	3,029
Loans to related parties	**103**	100
Other debtors	**57**	84
Prepayments and accrued income	**52**	111
Total trade and other receivables	**3,050**	3,324
Less : non-current portion – loans to related parties	**(103)**	(100)
Current portion	**2,947**	3,224

The average credit period taken on sale of goods by trade debtors is 63 days (2008: 62 days).

All non-current receivables relate to loans to related parties (see note 11 to the Parent Company accounts). The Directors are confident that the loan will be repaid and therefore the carrying amount of the loan is approximate to its fair value.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in the income statement.

Movement on the provision for impairment of trade receivables are as follows:	2009 £'000	2008 £'000
At the beginning of the year	**76**	67
Provision for receivables impairment	**91**	156
Receivables written off during the year as uncollectible	**(84)**	(146)
Unused amounts reversed	**(33)**	(1)
At the end of the year	**50**	76

As at 30 September 2009 trade receivables of £756,000 (2008: £935,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2009 £'000	2008 £'000
Up to 3 months	**755**	891
3 up to 6 months	**1**	17
6 up to 12 months	**-**	27
	756	935

Notes to the Consolidated Financial Statements

at 30 September 2009

15 Trade and other receivables (continued)

As at 30 September 2009 trade receivables of £24,000 (2008: £41,000) were past due and impaired. These relate to a number of customers. The ageing analysis of these receivables is as follows:

	2009	2008
	£'000	£'000
Up to 3 months	**19**	39
3 up to 6 months	**1**	2
6 up to 12 months	**4**	-
	24	41

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 21% (2008: 21%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances	Other temporary differences	Total
	£'000	£'000	£'000
At 1 October 2007	156	15	171
Charge / (credit) to the income statement	219	(24)	195
At 1 October 2008	375	(9)	366
Credit to the income statement	(1)	(4)	(5)
At 30 September 2009	**374**	**(13)**	**361**

17 Trade and other payables - current

	2009	2008
	£'000	£'000
Trade creditors	**1,552**	1,647
Other creditors	**99**	28
Other tax and social security taxes	**376**	452
Accruals	**239**	300
	2,266	2,427

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year end trade creditors represent 62 days (2008: 56 days) average purchases.

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

18 Share capital

	2009 £'000	2008 £'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:

	2009 Number	2009 £'000	2008 Number	2008 £'000
At the beginning and end of the year	**10,555,650**	**1,056**	10,555,650	1,056

Share options
Options have been granted over the following number of ordinary shares which were outstanding:

Date granted	Subscription Price	Number of shares	Exercisable between		
18.01.02	103.5p	116,300	18.01.05	and	18.01.12
21.05.04	91.0p	21,150	21.05.07	and	21.05.14
18.05.05	99.0p	16,300	18.05.08	and	18.05.15
18.05.06	91.0p	35,300	18.05.09	and	18.05.16
16.05.07	127.5p	3,150	17.05.10	and	17.05.17
At 30 September 2009		**192,200**			
At 30 September 2008		226,400			

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

No share options were exercised between 30 September 2009 and 17 December 2009.

Notes to the Consolidated Financial Statements

at 30 September 2009

19 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 2007	1,056	865	56	33	3	8,811	10,824
Loss for the year	-	-	-	-	-	(264)	(264)
Dividends paid	-	-	-	-	-	(301)	(301)
Share-based payment expense	-	-	-	-	3	-	3
Translation differences on overseas operations	-	-	-	(32)	-	-	(32)
At 30 September 2008	1,056	865	56	1	6	8,246	10,230
Loss for the year	-	-	-	-	-	(202)	(202)
Dividends paid	-	-	-	-	-	(211)	(211)
Share-based payment expense	-	-	-	-	3	-	3
Translation differences on overseas operations	-	-	-	(14)	-	-	(14)
At 30 September 2009	**1,056**	**865**	**56**	**(13)**	**9**	**7,833**	**9,806**

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

20 Cash and cash equivalents

Financial assets

The Group has floating rate financial assets which comprise treasury deposits, cash to finance its operations together with the retained profits generated by operating companies (refer to the 'Financial Assets' note on page 30 for further details).

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.

20 Cash and cash equivalents (continued)

The Group's floating rate financial assets at 30 September were:

Currency	2009 £'000	2008 £'000
Sterling	**3,022**	2,499
US Dollar	**20**	12
Euro	**5**	10
South Korean Won	**49**	25
	3,096	2,546

The Sterling financial assets had a weighted average interest rate of 1.8% (2008: 4.0%), which was arranged monthly. The remainder comprise bank current accounts.

Financial liabilities

The Group's floating rate financial liabilities at 30 September 2009 comprise solely of a Sterling bank overdraft in the sum of £23,000 (2008: £18,000) 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 their book value.

21 Financial instruments - risk management

The group is exposed through its operations to the following financial risks; credit risk, foreign exchange risk and liquidity risk.

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note, read in conjunction with the 'Capital Management' section of the Directors' Report on page 7, describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash at bank, bank overdrafts, trade and other payables and loans to related parties.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and polices and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Audit Committee reviews and reports to the Board on the effectiveness of policies and processes put in place.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Group's finance function has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Notes to the Consolidated Financial Statements
at 30 September 2009

The Group's review includes external ratings, when available, and trade references. Purchase limits are established for each customer, which represents the maximum open amount without requiring senior management's approval. These limits are reviewed on a on-going basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks. The Group has cash and cash equivalents with banks with a minimum "A+" rating.

Quantitative discloses of the credit risk exposure in relation to Trade and other receivables, which are neither past due nor impaired, are disclosed in the note 15.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. Although its global market penetration reduces the Group's operational risk in that, it has diversified into several markets, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into Sterling. Only in exceptional circumstances would the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques.

Foreign exchange risk also arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily Pound Sterling or US Dollar) with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group has two overseas subsidiaries in the USA and the South Korea respectively. Their revenues and expenses, other than those incurred with the UK business, are primarily denominated in their functional 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 to the Group of their net assets.

All sales from the Group's UK business are invoiced in Sterling. Purchases made by the UK business from four overseas suppliers are invoiced to the Group in the local currency of that supplier.

Liquidity risk

Liquidity risk arises from the Group's management of working capital in that the Group may encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 90 days. The Board receives cash flow projections as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each Group entity is managed locally. Each operation has a facility with the Group, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Board.

22 Leases

Operating leases

The Group leases its headquarters offices in Stanway, Essex on a tenant repairing lease basis. The Group has the option to renew the lease at its expiry in September 2011. The three year tenancy of the factory unit in South Korea ends in February 2012.

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:	**2009 £'000**	2008 £'000
Not later than one year	**71**	49
Later than one year and not later than five years	**84**	-

23 Notes supporting the cash flow statement

The table below provides an analysis of net cash and cash equivalents during the year ended 30 September 2009:

	2009 £'000	2008 £'000
Cash available on demand	**221**	1,046
Short-term deposits	**2,875**	1,500
Cash at bank	**3,096**	2,546
Overdraft	**(23)**	(18)
	3,073	2,528
Net increase in cash equivalents	**545**	863
Cash and cash equivalents at beginning of year	**2,528**	1,665
Cash and cash equivalents at end of year	**3,073**	2,528

24 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 4). The unpaid contributions outstanding at the year end, included in accruals (note 17) are £nil (2008: £nil).

25 Share-based payments

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.

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:

	2009 Number of share options	**2009 Weighted average exercise price (pence)**	2008 Number of share options	2008 Weighted average exercise price (pence)
Outstanding at beginning of year	**226,400**	**98.7p**	358,650	95.7p
Lapsed during the year	**(34,200)**	**92.0p**	(132,250)	90.6p
Outstanding at the end of the year	**192,200**	**99.8p**	226,400	98.7p

There were no share options which met the conditions of exercise, mentioned above, during the year (2008: nil).

Notes to the Consolidated Financial Statements

at 30 September 2009

25 Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was nil (2008: nil). The options outstanding at 30 September 2009 had a weighted average price of 99.8p (2008: 98.7p) and a weighted average remaining contractual life of 3.7 years (2008: 4.2 years). In the year to 30 September 2009 no new share options were granted. The aggregate of the estimated fair values of the options granted in the year was £nil (2008: £nil).

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.

There were no new share options granted during the year.

Assumptions used in the option pricing model

a) The expected life (the period between the date of grant and exercise) of a share option is 6 years.

b) Each issue of share option awards is assessed at the date of grant to calculate the total fair value. The fair value of share options is charged to the income statement over the 3 year 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 life of the share option 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.

26 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.

Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. There were no transactions, agreements or other arrangements, direct or indirect, during the year in which the Directors had any interest. Their remuneration is disclosed in the Remuneration Report on page 15 of this document.

The Non-executive Directors receive a fee for their services to the Titon Holdings Plc Board as disclosed in the Directors' Remuneration Report.

Transactions between subsidiary companies and the associate company, which is a related party, were as follows:

	Sale of goods		Amount owed by related party	
	Year ended 30 September		Year ended 30 September	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
BrownTech Sales Co. Ltd	**648**	42	**194**	29

The Group expects trading debts between subsidiaries and associates to be settled on a standard commercial basis. Titon Holdings Plc has provided BrownTech Sales Co. Ltd with a £100,000 unsecured loan (see note 11 of the Parent company financial statements).

Parent Company Balance Sheet
at 30 September 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	4	**2,605**	2,680
Investments in subsidiaries	5	**550**	550
Investments in associates	5	**225**	225
		3,380	3,455
Current assets			
Debtors	6	**2,521**	3,080
Other debtors - due after one year	11	**103**	100
Cash at bank and in hand		**2,875**	2,382
		5,499	5,562
Creditors: amounts falling due within one year	7	**(92)**	(134)
Net current assets		**5,407**	5,428
Total assets less current liabilities		**8,787**	8,883
Capital and reserves			
Called up share capital	9	**1,056**	1,056
Share premium account	10	**865**	865
Capital redemption reserve	10	**56**	56
Profit and loss account	10	**6,810**	6,906
Equity shareholders' funds	10	**8,787**	8,883

The notes on pages 48 to 52 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 17 December 2009 and signed on its behalf by:

J N Anderson
Chairman

Notes to Parent Company Financial Statements

at 30 September 2009

Titon Holdings Plc (the Company) is incorporated in the United Kingdom under the Companies Act 2006. The address and the registered office are given on page 60.

1 Significant accounting policies

(a) Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, except for the treatment of certain financial instruments, in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) and law.

The Company has taken advantage of the exemption allowed under FRS 26 'Financial Instruments: Recognition and Measurement', not to restate within the parent company accounts details of financial instruments as these are included within the Group's consolidated financial statements.

(b) Property and other fixed assets

Owned assets

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

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible 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. If there is any impairment to the value of tangible fixed assets a charge is recognised in the profit and loss account.

(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. No adjustment is made for failure to achieve market vesting conditions.

Disclosures in respect of share-based payments are made in note 25 of the Group Consolidated Financial Statements.

(e) Investments

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

2 Profit for the year

As permitted by section 408(3) of the Companies Act 2006 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 2009 of £112,000 (2008: £253,000).

3 Directors and employees

Staff costs, including Directors, were as follows:	**2009 £'000**	2008 £'000
Wages and salaries	**515**	516
Employer's social security costs and similar taxes	**57**	59
Defined contribution pension cost	**41**	46
	613	621

The average monthly number of employees during the year was as follows:	**Number**	Number
	10	10

The Directors' emoluments for the period are disclosed in the Directors' Remuneration Report on page 15 of this document.

4 Tangible assets

	Freehold land and buildings	Motor vehicles	Total
Cost	£'000	£'000	£'000
At beginning of year	3,450	82	3,532
At end of year	3,454	82	3,536
Depreciation			
At beginning of year	786	66	852
Charge for the year	64	15	79
At end of year	850	81	931
Net book value at 30 September 2009	**2,604**	**1**	**2,605**
At 30 September 2008	2,664	16	2,680

Notes to Parent Company Financial Statements
at 30 September 2009

5 Fixed asset investments

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 Korea Co. Ltd	Manufacture of window ventilators	South Korea

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

	2009 £'000	2008 £'000
At the beginning of the year	**550**	202
Investments during the year	**-**	356
Disposal of investments	**-**	(8)
At the end of the year	**550**	550

The following entities meet the definition of an associate company and have been equity accounted in the consolidated financial statements:

Name of associate	**Principal activity**	**Country of incorporation and operation**	**Proportion of voting rights held at 30 September 2008 and 2009**
BrownTech Sales Co. Ltd	Marketing of window ventilators	South Korea	49%

6 Debtors

	2009 £'000	2008 £'000
Sundry debtors	**19**	18
Amounts owed by subsidiaries	**2,502**	3,062
	2,521	3,080

Amounts owed by subsidiaries are payable on demand.

7 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	**-**	1
Bank overdraft	**23**	18
Corporation tax	**-**	26
Accruals	**69**	89
	92	134

8 Deferred tax

Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 21% (2008: 21%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances £'000	Total £'000
At 1 October 2008	(11)	(11)
Credit to the income statement	(2)	(2)
At 30 September 2009	**(13)**	**(13)**

9 Share capital

	2009 £'000	2008 £'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:

	2009 Number	2009 £'000	2008 Number	2008 £'000
At the beginning and end of the year	**10,555,650**	**1,056**	10,555,650	1,056

Notes to Parent Company Financial Statements

at 30 September 2009

10 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Share premium reserve	Capital redemption reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
At 30 September 2008	1,056	865	56	6,906	8,883
Profit for the year	-	-	-	112	112
Dividends paid	-	-	-	(211)	(211)
Share-based payment expense	-	-	-	3	3
At 30 September 2009	1,056	865	56	6,810	8,787

Included within retained earnings is £111,000 of goodwill (2007: £111,000) arising on business combinations in prior years, and prior to the implementation of FRS 10.

11 Related party loan

The Company provided BrownTech Sales Co. Ltd with a £100,000 unsecured loan in September 2008 which is repayable with interest at 3% p.a. within 2 years.

Five Year Summary

Summarised consolidated results

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Results					
Revenue	14,053	16,375	17,285	16,600	16,436
Gross Profit	3,060	3,572	3,803	4,161	4,064
Net Interest	37	101	102	112	151
Share of losses from associate	(28)	(12)	-	-	-
Taxation (credit) / expense	(8)	205	15	219	328
Dividends	211	301	749	749	747
Basic (loss) / earnings per share	(1.91p)	(2.50p)	4.21p	6.40p	8.08p
Assets Employed					
Property, plant & equipment	3,972	4,395	4,662	5,009	4,242
Net funds	3,096	2,546	1,678	2,069	3,359
Net current assets	5,811	5,827	6,274	6,206	6,994
Financed by					
Shareholders' funds : all equity	9,806	10,230	10,824	11,112	11,138

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

Notice of Annual General Meeting

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Titon Holdings Plc, please forward this document and the accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Titon Holdings Plc ("the Company") will be held at the Titon Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 17 February 2010 at 10.00 am for the following purposes:

Ordinary Business

To resolve as Ordinary Resolutions:

1. To receive and adopt the reports of the Directors and the Auditors and the audited accounts of the Company for the year ended 30 September 2009.

2. To declare a final dividend of 1.0p per ordinary share payable to shareholders on the Company's register of members at close of business on 22 January 2010 payable on 22 February 2010.

3. To re-elect Mr David Alan Ruffell, who retires from the Board in accordance with Article 104, as a Director of the Company.

4. To re-elect Mr Christopher James Martin, who retires from the Board in accordance with Article 104, as a Director of the Company.

5. To re-elect Mr Ronald Brighton, who retires from the Board in accordance with Article 104, as a Director of the Company.

6. To re-appoint BDO 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 Ordinary Resolutions:

7. That in place of all existing authorities, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £250,000 (representing approximately 23.7% of the nominal value of the ordinary shares in issue on 17 December 2009 for a period expiring (unless previously revoked, varied or renewed) on 16 May 2011 or, if sooner, the end of the next Annual General Meeting of the Company, but in each case the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

8. That the Directors' Remuneration Report set out on pages 13 to 16 of the Annual Report and Accounts for the year ended 30 September 2009, be approved.

9. That subject to the passing of Resolution 7 above and in place of all existing powers, the Directors be generally empowered pursuant to section 570 and 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash, pursuant to the authority conferred by Resolution 7 as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall expire on 16 May 2011 or, if sooner, the end of the next Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

9.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

Notice of Annual General Meeting

9.2 otherwise than pursuant to paragraph 9.1 up to an aggregate nominal amount of £50,000 (representing approximately 4.7% of the nominal value of the ordinary shares in issue on 17 December 2009);

but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Companies Act 2006 as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 7" were omitted.

10. That the Company be generally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares of 10p each on such terms and in such manner as the Directors shall determine, provided that:

10.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,055,565 (representing approximately 10% of the nominal value of the ordinary shares in issue on 17 December 2009);

10.2 the maximum price which may be paid for each ordinary share shall be the higher of (i) 5% above the average of the middle market quotations for an ordinary share (as derived from The Stock Exchange Daily Official List) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses); and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (exclusive of expenses);

10.3 the minimum price which may be paid for each ordinary share shall be 10p; and

10.4 this authority (unless previously revoked, varied or renewed) shall expire on 16 May 2011 or, if sooner, the end of the next Annual General Meeting of the Company except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

11. That the Titon Company Share Option Scheme 2010, the principal terms of which are summarised in the Appendix on pages 57 to 59 of these reports and accounts and the rules of which are available for inspection at the registered office of the Company and which are produced in draft form to this meeting (initialled by the Chairman for identification purposes) is hereby adopted and the rules be and are hereby approved in such draft form, subject to such amendments thereto approved by, or by a committee of, the Directors as are necessary to carry the same into effect and/or are necessary or desirable to obtain Inland Revenue or other regulatory approval thereto and the Directors be authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the said scheme.

12. That the Titon Executive Share Option Scheme 2010, the principal terms of which are summarised in the Appendix on pages 57 to 59 of these reports and accounts and the rules of which are available for inspection at the registered office of the Company and which are produced in draft form to this meeting (initialled by the Chairman for identification purposes) is hereby adopted and the rules be and are hereby approved in such draft form, subject to such amendments thereto approved by, or by a committee of, the Directors as are necessary to carry the same into effect and/or are necessary or desirable to obtain regulatory approval thereto and the Directors be authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the said scheme.

13. That the Directors be authorised to vote and to be counted in a quorum at any meeting of the Directors at which any matter connected with either the Titon Company Share Option Scheme 2010 or the Titon Executive Share Option Scheme 2010 is under consideration notwithstanding that they may be interested in the same in any present or proposed capacity whatsoever and that this resolution shall operate so far as is necessary by way of suspension and relaxation of the prohibition on interested Directors voting contained in the Articles of Association of the Company, provided that no Director may vote or be counted in a quorum when the Directors are considering any matter concerning his individual rights of participation in the said schemes.

By order of the Board

Registered Office
International House
Peartree Road
Stanway
Colchester
Essex CO3 0JL

D A Ruffell
Secretary
17 December 2009

Notes:

Rights to appoint a proxy

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Registrars Ltd at PO Box 25, Beckenham, Kent BR3 4BR.

Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Registrars Ltd at 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 10.00 AM 15 February 2010. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority.

4. The return of a completed proxy form will not preclude a member from attending the Annual General Meeting and voting in person if he or she wishes to do so.

Nominated persons

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

6. The statement of the rights of members in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.

Record date

7. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 10.00 AM 15 February 2010, (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

Corporate representatives

8. Any corporation which is a member can appoint one or more corporate representatives, who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Total voting rights

9. As at 17 December 2009 (being the last business day prior to the publication of this notice) the Company’s issued share capital comprised 10,555,650 ordinary shares. Each ordinary share carries the right to one vote on a poll at a general meeting of the Company and, therefore, the total voting rights in the Company as at that date are 10,555,650. As at 17 December 2009 the Company held no ordinary shares as treasury shares.

Publication on website

10. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company’s accounts (including the auditor’s report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company’s auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Notice of Annual General Meeting (continued)

Notes:

11. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found on the website at www.titonholdings.com.

12. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

Documents available for inspection

13. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) and at Titon Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU, for at least 15 minutes prior to and during the Annual General Meeting copies of the service contract of each Executive Director and the letter of appointment of each Non-executive Director.

Communications

14. Members who have general enquiries about the meeting should use the following means of communication. No other means of communication will be accepted. You may:

    - call our shareholders' helpline on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8am – 5.30pm Monday to Friday; or
    - write to Capita Registrars Ltd, Shareholder Services Department, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA

15. You may not use any electronic address provided in this notice of Annual General Meeting for communicating with the Company for any purposes other than those expressly stated.

Appendix - Summary of the New Share Schemes

A. The Company Scheme

The principal features of the Company Scheme are:

1. Eligibility

Only those directors or employees of the Company and its subsidiaries (the “Group”) who devote substantially all their working time to the business of any company in the Group (and who do not hold more than 25% of the ordinary share capital of the company) will be eligible to participate. Directors must also work at least 25 hours per week (excluding meal breaks) to be eligible.

Participants in the Company Scheme will be selected at the discretion of the Remuneration Committee (“the Committee”).

2. Exercise Price

The exercise price for an option will be determined by the Committee but may not be less than the higher of the nominal value of any ordinary share (if the option is an option to subscribe for Ordinary Shares) and its market value. Market value will be taken to be the middle market quotation of an Ordinary Share on the dealing day of the London Stock Exchange on the date of grant as derived from the Daily Official List of the London Stock Exchange.

3. Invitation to Apply for Options

Options may be invited by the Committee during a period commencing on, and ending four weeks after, the date on which the Company Scheme is approved by the Inland Revenue. Thereafter, options may be granted in the four week period commencing on the day following the announcement of the Company’s interim or annual results. In exceptional circumstances the Committee may grant options outside these periods.

4. Grant of Options

Options may be granted no later than 14 days after invitations to apply have been issued.

Options granted under the Company Scheme may be subject to an objective performance condition imposed by the Committee so that they may not be exercised unless the condition has been satisfied. The performance condition to be imposed will for executives require that the group Earnings per Share will grow by at least 9% more than Retail Price Index growth over a three year period. The condition will not be subject to re-testing.

5. Exercise of Options

Options may normally only be exercised by an option holder who is still an employee or director of a company in the Group after the third anniversary of their date of grant and before the tenth anniversary of their date of grant.

If an option holder ceases employment or to hold office due to injury, ill health, disability, redundancy or retirement at age 65 or such other age at which they are bound to retire, because the company which employs him/her or with which they hold office leaves the Group or because the business to which their office or employment relates is transferred outside the Group, their options may be exercised until the expiry of six months from cessation. Their options will then lapse.

If an option holder dies, his/her options may be exercised within twelve months of their death by their legal personal representatives. Their options will then lapse.

If an option holder becomes bankrupt or ceases employment for any other reason than those set out above, his/her options may be exercised within six months of cessation. Their options will then lapse.

Options will also be exercisable during limited periods if the Company is taken over, wound up or if there is a scheme of reconstruction.

Options may not be exercised in any event more than ten years after the date of grant and will lapse if any performance condition attached to them has not been achieved by the tenth anniversary of the date of grant.

Options may be exercised in whole or in part.

6. Limitations on the Grant of Options

An option may only be granted to an individual if the aggregate market value at the date of grant of the Ordinary Shares to be subject to the option and the market value on the date of grant of all Ordinary Shares comprised in subsisting options granted to them under the Company Scheme and any other Inland revenue approved executive share option scheme would not exceed £30,000.

Appendix - Summary of the New Share Schemes

B. The Executive Scheme

The principal features of the Executive Scheme are:

1. Eligibility

Only those directors or employees of the Group who devote substantially all their working time to the business of any company in the Group will be eligible to participate.

Participants in the Executive Scheme are selected at the discretion of the Committee.

2. Exercise Price

The exercise price for an option will be determined by the Committee but may not be less than the higher of the nominal value of an ordinary share (if the option is an option to subscribe for Ordinary shares) and its market value. Market value will be taken to be the middle market quotation of an ordinary share on the dealing day of the London Stock Exchange on the date of grant as derived from the Daily Official List of the London Stock Exchange.

3. Invitation to Apply for Options

Options may be invited by the Committee during a period commencing on, and ending four weeks after, the date on which the Executive Scheme is approved by shareholders in general meeting. Thereafter, options may be granted in the four week period commencing on the day following the announcement of the Company's interim or annual results. In exceptional circumstances the Committee may grant options outside these periods.

4. Grant of Options

Options may be granted no later than 14 days after invitations to apply have been issued.

Options granted under the Executive Scheme may be subject to an objective performance condition imposed by the Committee so that they may not be exercised unless the condition has been satisfied. The performance condition to be imposed will for executives require that the group Earnings per Share will grow by at least 9% more than Retail Price Index growth over a three year period. The condition will not be subject to re-testing.

5. Exercise of Options

Options may normally only be exercised by an option holder who is still an employee or director of a company in the Group after the third anniversary of their date of grant and before the seventh anniversary of their date of grant.

If an option holder ceases employment or to hold office due to injury, ill health, disability, redundancy or retirement at age 65 or such other age at which they are bound to retire, because the company which employs him/her or with which they hold office leaves the Group or because the business to which their office or employment relates is transferred outside the Group, their options may be exercised until the expiry of six months from cessation. Their options will then lapse.

If an option holder dies, his/her options may be exercised within twelve months of their death by their legal personal representatives. Their options will then lapse.

If an option holder becomes bankrupt or ceases employment for any other reason than those set out above, his/her options may be exercised within six months of cessation. Their options will then lapse.

Options will also be exercisable during limited periods if the Company is taken over, wound up or if there is a scheme of reconstruction.

Options may not be exercised in any event more than ten years after the date of grant and will lapse if any performance condition attached to them has not been achieved by the tenth anniversary of the date of grant.

Options may be exercised in whole or in part.

6. Limitations on the Grant of Options

An option may only be granted to an individual if the aggregate market value at the date of grant of the Ordinary Shares to be subject to the option to be granted to him/her together with the market value on the date of grant of all Ordinary Shares comprised in options granted to them during the preceding ten years (excluding shares appropriated under profit sharing schemes or options granted under savings related share option schemes) would not exceed four times their annual remuneration.

C. Other Features of the Company Scheme and the Executive Scheme ("the Schemes")

1. Substitution of Shares

Where there is a general offer to acquire the Company, options may by agreement between the offeror and the option holder be rolled over into options over the shares of the offeror.

2. Variation of Share Capital

On a variation of the Company's share capital by way of capitalisation or rights issue, sub-division, consolidation or a reduction, the exercise price and the number of shares comprised in an option can be varied at the discretion of the Committee subject to certification from the Company's auditors that in their opinion the variation is fair and reasonable and, in the case of the Company Scheme, prior Inland Revenue approval.

3. General

Ordinary shares allotted on the exercise of options rank pari passu with Ordinary Shares in issue at the date of allotment but shall not rank for dividends the record date for which precedes the date of exercise of the option.

The Company must have sufficient available unissued ordinary share capital to meet the exercise of options, taking into account any arrangements made to procure a transfer by a third party of issued shares.

The Company will be responsible for obtaining a listing for Ordinary Shares issued on the exercise of an option.

Options may not be transferred or charged and if an option holder attempts to do so their options will lapse immediately.

If an option holder ceases employment they will not be entitled to compensation for the loss of any right under the Scheme.

4. Amending the Schemes

The Committee will have power to administer, interpret and amend the Schemes. No amendment may be made to provisions relating to:

(i) the eligibility conditions;

(ii) the limit rules;

(iii) the variation of share capital rules;

(iv) the rules governing the terms of the options or shares to be received by option holders.

To the advantage of option holders without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Schemes or to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for option holders, the Company or the Group) nor, in the case of the Company Scheme, will any amendment be effective unless it has received the approval of the Inland Revenue.

5. Limitations on the Schemes

An option will not be granted under either of the Schemes if the number of Ordinary Shares over which it is proposed to grant the option when aggregated with the number of Ordinary Shares which have been issued or may be issued pursuant to options granted in the ten year period prior to the proposed date of grant under the Schemes and any other executive share option scheme approved by the Company in general meeting exceeds 10 per cent of the issued ordinary share capital of the Company at the proposed date of grant.

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

SECRETARY AND REGISTERED OFFICE

D A Ruffell
International House
Peartree Road
Stanway
Colchester
Essex
CO3 0JL

COMPANY REGISTRATION NUMBER

1604952 (Registered in England & Wales)

WEBSITE

www.titonholdings.com

AUDITORS

BDO LLP
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Reading
RG1 3EX

BROKERS

Evolution Securities Limited
100 Wood Street
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EC2V 7AN

SOLICITORS

Macfarlanes
10 Norwich Street
London
EC4A 1BD

REGISTRARS AND TRANSFER OFFICE

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Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

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Witham, Essex
CM8 2AT

TITON HOLDINGS PLC
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Tel: +44 (0)1206 713800 **Fax:** +44 (0)1206 543126
Email: enquiries@titon.co.uk **Web:** www.titonholdings.com

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