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FINANCIAL RESULTS

Profit before taxation for the year was 30.3% lower than last year at £1.06 million (2003: £1.52 million), on turnover 0.6% higher at £16.40 million (2003: £16.31 million). Interest income has decreased slightly and, at the operating level, profits were 31.4% down at £0.94 million (2003: £1.37 million). Earnings per share are 29.4% lower at 7.19p (2003: 10.19p).

Reflecting the Group's strong cash position, the Directors are proposing a final dividend of 4.8p per ordinary share (2003: 4.8p), making a total of 7.1p for the year (2003: 7.1p). The dividend will be payable on 18 February 2005 to shareholders on the register on 28 January 2005. The ex-dividend date will be 26 January 2005.

SALES COMMENTARY

Year on year sales growth, which was running at 5.4% at the half year, stalled during the second half as activity levels within the UK window market slowed. This situation was not peculiar to Titon and was experienced by other major suppliers to the window industry. Whilst overall turnover for the year has been maintained, pricing pressures and a change in our product mix have had an adverse impact on our margins. In response to this declining profitability, the Company has taken measures to reduce its costs in many areas of the business.

Although our traditional UK business has come under pressure, I am pleased to record certain areas of improvement. Our export sales have again increased and now account for 10% of Group turnover. The weakness of the US dollar has, however, affected the profitability of our business in the USA. It is also pleasing to note that our Commercial Department, which mainly services the higher value aluminium window and door market, has shown continued growth. We are currently recruiting extra staff to increase our market penetration in this area of the business.

In my Interim Report I announced the introduction of several exciting new powered ventilation products. Additional lines have been added during the second half as we pursue our aim of becoming total domestic ventilation solutions providers. In order to effectively promote this image and these product ranges, Titon has restructured its operations to launch the new Ventilation Division early in the new financial year. Specialist staff have been recruited from within the powered ventilation industry, and we are encouraged by initial reactions from the market.

MANUFACTURING

I reported at the previous year-end that we had purchased and refurbished a unit adjacent to our existing factory premises. The move into this 'new' warehouse and distribution unit took place during the year and I am pleased to report that the unit is now functioning effectively. It now provides the capacity necessary to stock and distribute our new Ventilation Division products as well as all our traditional window hardware product ranges.

Additionally, during the year, we have invested £500,000 in a new powder coating paint plant. The anticipated cost savings in terms of direct labour, power usage and operational efficiency will provide a quick pay back on this investment. At the same time it will improve our response times and reduce our stock levels. This plant has been installed in the freehold building vacated by moving the warehouse facility. The lease on the building that housed the old plant expired at the end of the financial year providing us with an annual rent savings of £70,000.

We are committed to UK manufacturing wherever possible, and we will continue to improve our manufacturing efficiency through considered investment in quality plant, through automation of our assembly processes and through rationalisation of our product ranges.

PERSONNEL

It is with much regret that the efficiency and cost saving measures introduced towards the end of the financial year have led to job losses throughout the business. We begin the new 2004/5 financial year with 265 employees compared to 296 a year ago. One-off costs associated with restructuring during the year amounted to £60,000.

In the light of the reduced profits, our workforce, staff and Directors will not be receiving an inflationary pay increase this year. I should like to thank them all for their loyalty and commitment during this difficult period.

PROSPECTS

As already stated, certain cost saving measures have been implemented towards the latter part of the year. In addition, the Directors have undertaken, and will continue to evaluate, an in-depth business review to enable the Company to operate more efficiently and to pursue a more focused strategy.

Like many companies within our industry, we have been deeply involved in analysing the Building Regulations Part F consultation documents that were released in July 2004. Although benefits may accrue, the proposals within the consultation document are wide-ranging and complex and it is too early to comment on what their overall impact on Titon might be. The outcome of the consultation exercise and the final scope of the Regulation changes will be announced during the spring of 2005.

Whilst we are confident that the efficiency of our business will improve, the UK window marketplace in which we predominantly operate, remains competitive due to overcapacity. Our cost reductions will, however, begin to have an impact and we anticipate that this, combined with our strategies of diversification and focusing resources, will enable us to halt the recently experienced profit declines.

John Anderson
Chairman

9 December 2004

The Directors present their report and the Group financial statements for the year ended 30 September 2004.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 19 and shows a profit, after taxation, of £757,000 (2003: £1,086,000) for the year.

The Directors recommend the payment of a final ordinary dividend of 4.8p (2003: 4.8p) per ordinary share. This, when taken with the interim dividend of 2.3p (2003: 2.3p) per ordinary share paid on 1 July 2004, gives a total dividend of 7.1p (2003: 7.1p) per ordinary share for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES, TRADING REVIEW AND FUTURE DEVELOPMENTS

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

The Directors consider that the result for the year is a satisfactory achievement in view of the competitive UK market in which the Group predominantly operates. A more comprehensive review of the year and likely future developments are set out in the Chairman's Statement on pages 2 and 3.

MARKET VALUE OF LAND AND BUILDINGS

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

RESEARCH AND DEVELOPMENT

The Directors consider that research and development continues to play an important role in the Group's success. Investment in research and development amounted to £525,000 during the year (2003: £623,000).

DISABLED EMPLOYEES

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

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

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

EMPLOYEE INVOLVEMENT

Employees are provided with information about the Group's activities via the staff noticeboards and through staff meetings. 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.

DONATIONS

During the year the Group made various charitable donations of £2,754 (2003: £1,187).

POLICY ON THE PAYMENT OF CREDITORS

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 51 days average purchases.

DIRECTORS AND THEIR INTERESTS IN SHARES

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

	30 September 2004	30 September 2003 or date of appointment if later
	Ordinary shares of 10p each	Ordinary shares of 10p each
	Beneficial interest	Beneficial interest
J N Anderson	2,237,802	2,237,802
T N Anderson (Appointed 1 January 2004)	192,500	192,500
R Brighton	34,000	20,000
P W E Fitt	-	-
N C Howlett	10,000	10,000
C S Jarvis	66,500	71,500
C J Martin	45,000	43,000
D A Ruffell	71,000	69,000
P E O'Sullivan	-	-

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

There were no changes in Directors' beneficial shareholdings between 30 September 2004 and 20 December 2004.

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

DIRECTORS' RESPONSIBILITIES (CONTINUED)

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

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 20 December 2004, the Company has been notified pursuant to the provisions of the Companies Act 1985 of the following holdings, other than Directors' holdings, of 3 per cent or more in the ordinary share capital of the Company.

Name	Shares	%
Discretionary Unit Fund Managers Ltd	1,716,162	16.3
Mrs C Ritchie	1,077,280	10.2
Mrs A Clipsham	925,579	8.8
Edinburgh Small Companies Trust plc	655,000	6.2

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Company's registered office on 16 February 2005 commencing at 10.00 a.m. You will find on page 35 of this document a Notice convening the Annual General Meeting of the Company for 2005.

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

Resolutions 3 to 6 are resolutions to re-elect Mr C S Jarvis, Mr C J Martin, Mr P E O'Sullivan and Mr T N Anderson as Directors. The Company's Articles of Association require one third of the Directors to retire from office at each Annual General Meeting. Brief biographical details of each of the Directors standing for re-election may be found on page 15.

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

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

Resolution 8, which will be proposed as an Ordinary Resolution, will renew the Directors' authority to allot relevant securities up to an aggregate nominal amount of £250,000 being equivalent to approximately 23.7% of the current issued share capital (calculated exclusive of treasury shares). The Company does not currently hold any shares in treasury. This authority will expire on the date of the next Annual General Meeting of the Company or on 15 May 2006, whichever is earlier. There is no intention at present of making any issues of shares other than on the exercise of employee share options.

ANNUAL GENERAL MEETING (CONTINUED)

Resolution 9, which will be proposed as a Special Resolution, will renew the disapplication of the statutory pre-emption rights. It will permit the Directors, until the next Annual General Meeting of the Company or on 15 May 2006, whichever is earlier, to allot shares otherwise than in accordance with the statutory pre-emption rights in connection with a rights issue or on an allotment of shares for cash up to an aggregate nominal amount of £50,000 which is equivalent to approximately 4.7% of the existing issued share capital of the Company. The authority sought and the limits set by this Resolution will apply to a sale by the Company of any shares it holds as treasury shares. Under new legislation which came into effect in December 2003, companies are allowed to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. Treasury shares may then be cancelled, sold for cash or used to meet the Company's obligations under its employee share-based incentive schemes. Any subsequent transfers of treasury shares to satisfy the requirements of employee share-based incentive schemes will be made within the 10% anti-dilution limit for such share issues.

Resolution 10, which will be proposed as a Special Resolution, will renew the Company's authority to make market purchases of up to 1,050,000 ordinary shares (representing approximately 10% of its present issued share capital) at a minimum price of 10 pence per share and a maximum price per share of not more than 5% above the average of the market values of an ordinary share as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made, such authority to expire on the earlier of 15 August 2006 or the date of the next Annual General Meeting of the Company. Shares repurchased by the Company will be held as treasury shares to the extent the Company may lawfully do so.

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

The authority sought by Resolution 10 will apply equally to shares to be held by the Company as treasury shares in accordance with new legislation which came into effect in December 2003.

As at 20 December 2004, there were options outstanding over 413,100 ordinary shares which, if exercised at that date, would have represented 3.8% of the Company's issued ordinary share capital. If the authority given by Resolution 10 were to be fully used, these would then represent approximately 4.1% of the Company's issued ordinary share capital.

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

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

By order of the Board

D A Ruffell
Secretary
20 December 2004

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The Directors present their report to shareholders on Directors' remuneration. Shareholders will be asked to approve the Directors' Remuneration Report and a resolution to that effect will be proposed at the Annual General Meeting on 16 February 2005. The report has been prepared in accordance with the requirements of the Companies Act 1985, the Listing Rules of the UK Listing Authority and the Combined Code appended to the Listing Rules.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

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

REMUNERATION POLICY

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

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 medical insurance.

PENSION CONTRIBUTIONS

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

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

SHARE OPTION SCHEMES

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

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

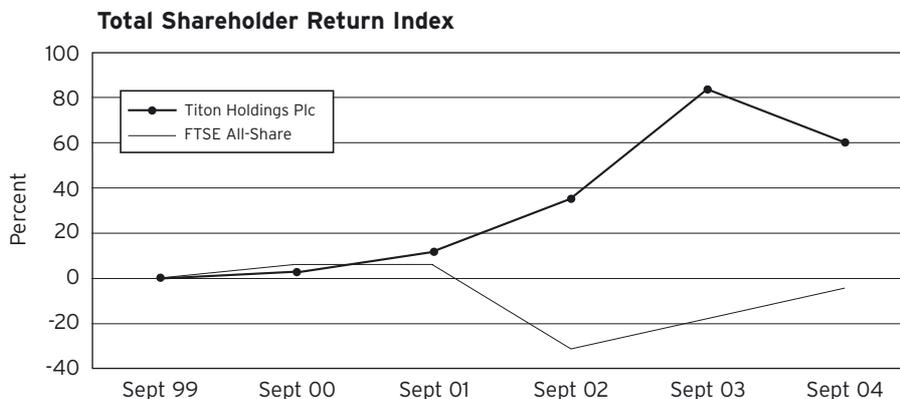
The performance conditions are aimed to align Directors' performance to shareholder value and were selected by the Remuneration Committee on the advice of the Company's solicitors. Actual earnings per share performance will be measured by the Remuneration Committee.

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

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

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 value, at 30 September 2004, of £1 invested in the Company on 30 September 1999 (assuming dividends reinvested) compared with the value of £1 (assuming dividend reinvested) in the FTSE All-Share Index. The Directors consider the FTSE All-Share Index to be an appropriate choice as the Company is included within it.

DIRECTORS' CONTRACTS

All Executive Directors have service contracts, entered into on 1 August 2004, 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 2005.

Both of the Non-Executive Directors have annual contracts, entered into on 1 October 2004, that do not contain notice periods and which expire on 30 September 2005. The remuneration for the Company's Non-Executive Directors is set by the Board, and consists of fees for their services in connection with their role as Director and, where relevant, for additional services such as chairing Board Committees. They are not eligible for pension scheme membership and do not participate in any of the Company's share option schemes. Professor P E O'Sullivan has a one year contract, entered into on 1 October 2004, to provide consultancy services to a subsidiary company for the sum of £22,500.

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

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

AUDITED INFORMATION

REMUNERATION

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

	Basic Salary and fees £'000	Benefits £'000	Total emoluments		Pension contributions	
			2004 £'000	2003 £'000	2004 £'000	2003 £'000
Executive:						
J N Anderson	113	20	133	136	11	11
T N Anderson	33	7	40	-	3	-
R Brighton	64	9	73	71	6	6
R Cheek (Deceased 30 July 2003)	-	-	-	33	-	-
N C Howlett	52	9	61	58	5	5
C S Jarvis	55	9	64	65	5	5
C J Martin	57	8	65	64	6	6
D A Ruffell	83	13	96	92	8	8
Non-executive:						
P W E Fitt	13	-	13	13	-	-
P E O'Sullivan *	25	-	25	25	-	-
	495	75	570	557	44	41

* Inclusive of £22,500 relating to consultancy fees for 2004 and 2003.

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

Aggregate gains made by Directors on the exercise of share options are £5,000 (2003: £0).

SHARE OPTIONS

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

		Award price per option	Exercise price per share	At 1 October 2003 or on appointment if later	Exercised during the year	At 30 September 2004
				Number	Number	Number
T N Anderson	(b)	£20.00	103.0p	3,150	-	3,150
	(e)	-	103.5p	10,000	-	10,000
				<u>13,150</u>	<u>-</u>	<u>13,150</u>
R Brighton	(b)	£20.00	103.0p	14,000	(14,000)*	-
	(c)	-	86.5p	17,000	-	17,000
	(e)	-	103.5p	10,000	-	10,000
			<u>41,000</u>	<u>(14,000)</u>	<u>27,000</u>	
N C Howlett	(a)	£20.00	161.0p	10,000	-	10,000
	(b)	£20.00	103.0p	3,750	-	3,750
	(c)	-	86.5p	6,250	-	6,250
	(e)	-	103.5p	10,000	-	10,000
			<u>30,000</u>	<u>-</u>	<u>30,000</u>	
C S Jarvis	(b)	£20.00	103.0p	10,000	-	10,000
	(c)	-	86.5p	17,000	-	17,000
	(e)	-	103.5p	10,000	-	10,000
			<u>37,000</u>	<u>-</u>	<u>37,000</u>	
C J Martin	(b)	£20.00	103.0p	7,350	-	7,350
	(d)	-	89.0p	1,250	-	1,250
	(e)	-	103.5p	10,000	-	10,000
			<u>18,600</u>	<u>-</u>	<u>18,600</u>	
D A Ruffell	(b)	£20.00	103.0p	14,000	-	14,000
	(c)	-	86.5p	17,000	-	17,000
	(e)	-	103.5p	25,000	-	25,000
			<u>56,000</u>	<u>-</u>	<u>56,000</u>	

*At the date of exercise, the Company's share price was 138.5p per share.

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

SHARE OPTIONS (CONTINUED)

The options are exercisable between the following dates:

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

The Directors may only exercise share options c, d & e, 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 2004 the market price of the Company's shares was 93.0p, and the range during the year was 91.0p to 144.0p.

There have been no changes to the number of share options held by Directors between 30 September 2004 and 20 December 2004.

P W E Fitt
Non-Executive Director
20 December 2004

COMPLIANCE WITH THE COMBINED CODE

There is a commitment to high standards of corporate governance throughout the Group. The Board confirms that the Company has complied throughout the accounting period with the provisions set out in Section 1 of the Combined Code, which was issued on 25 June 1998, except in the following areas:

- The Company has seven Executive Directors and two Non-Executive Directors and therefore does not comply with paragraph A.3.1. in respect of Non-Executive Directors comprising at least one third of the Board.
- The Non-Executive Directors are not considered by the Board to be independent and therefore the Company does not comply with paragraph A.3.2 and parts of paragraph A.2.1.
- The Company does not have a nomination committee and therefore does not comply with paragraph A.5.1.
- The Company's Remuneration Committee does not consist exclusively of Non-Executive Directors and therefore does not comply with paragraphs B.2.1 and B.2.2.
- The Company only has two Non-Executive Directors and cannot therefore form an audit committee of three Non-Executive Directors in accordance with paragraph D.3.1.

The Board is currently reviewing the requirements of the New Combined Code, published in July 2003, and intends to adopt relevant changes, where necessary, to its governance framework during the course of the current financial year.

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

Relations with Shareholders

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

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

Directors

As at 30 September 2004 the Board consisted of the Chairman, the Chief Executive, five other Executive Directors and two Non-Executive Directors. T N Anderson was appointed as an Executive Director during the year on 1 January 2004.

Board meetings take place quarterly, and more frequently where business needs require. 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.

Directors (continued)

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.

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.

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 C S Jarvis, Mr C J Martin and Mr P E O'Sullivan. Further more, Mr T N Anderson has been appointed to office during the year and retires in accordance with the Articles of Association. All four Directors, being eligible, offer themselves for re-election.

Mr C S Jarvis, aged 54, has been with the Company since its incorporation in 1972. He was appointed a Director in October 1974 and Export Director in 1982. He has a service contract which expires on 31 July 2005.

Mr C J Martin, aged 49, joined the Company in 1983 as an Area Sales Manager, was promoted to National Sales Manager in 1988 and to Sales Director of the main operating subsidiary, Titon Hardware Limited, in 1997. He became a main Board Director in 1999 and has a service contract which expires on 31 July 2005.

Emeritus Professor P E O'Sullivan OBE, aged 67, was appointed as a Non-Executive Director on 1 October 2002. He is currently holder of the Haden-Pilkington Chair of Environmental Engineering and Design at the Bartlett School of Graduate Studies, University College London and was Chairman of BRAC for two years 2000 - 2001. His Non-Executive Director contract for services expires on 30 September 2005.

Mr T N Anderson, aged 36, has been with the Company since 1993 and was promoted to Marketing Director of the main operating subsidiary, Titon Hardware Limited, in 1999. He was appointed to the main Board on 1 January 2004 and has a service contract which expires on 31 July 2005.

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

Risk Management and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 5, 6 and 17.

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.

An audit committee has been established which comprises Mr P W E Fitt and Mr D A Ruffell and which is chaired by Mr P W E Fitt. The Directors have, through the audit committee, reviewed the effectiveness of the Company's system of internal control by reviewing the procedures noted above and are satisfied that it is appropriate to the size of the business.

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

The Company's auditors, Ernst & Young LLP, have been instructed to carry out non-audit work during the year as detailed in note 5 to the Financial Statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TITON HOLDINGS PLC

We have audited the Group's financial statements for the year ended 30 September 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Statement on Corporate Governance and Internal Control reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion of the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Directors' Report, the unaudited part of the Directors' Remuneration Report, Statement on Corporate Governance and Internal Control and Notice of Annual General Meeting and Directors and Advisors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2004 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP**Registered Auditor**

Cambridge

20 December 2004

	Note	2004 £'000	2003 £'000
Turnover	2	16,401	16,310
Cost of sales		12,505	11,889
		<hr/>	<hr/>
Gross profit		3,896	4,421
Distribution costs		561	669
Administrative expenses		2,398	2,383
		<hr/>	<hr/>
		2,959	3,052
		<hr/>	<hr/>
Operating profit		937	1,369
Interest receivable		131	153
Interest payable and similar charges	4	(6)	(3)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	1,062	1,519
Taxation on profit on ordinary activities	6	305	433
		<hr/>	<hr/>
Profit on ordinary activities after taxation attributable to the members of Titon Holdings Plc		757	1,086
Dividends	8	749	718
		<hr/>	<hr/>
Retained profit for the financial year		8	368
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
- basic	9	7.19p	10.19p
- diluted	9	7.14p	10.16p

All amounts relate to continuing activities.

There are no recognised gains and losses other than the profit attributable to the shareholders of the Company of £757,000 in the year ended 30 September 2004 and the profit of £1,086,000 in the year ended 30 September 2003.

The notes on pages 23 to 34 form part of these financial statements.

at 30 September 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	4,291	4,025
Current assets			
Stocks	12	2,580	2,442
Debtors	13	3,201	3,248
Cash at bank and in hand		4,017	3,897
		<u>9,798</u>	<u>9,587</u>
Creditors:			
Amounts falling due within one year	14	(3,463)	(3,046)
		<u>6,335</u>	<u>6,541</u>
Net current assets			
		<u>10,626</u>	<u>10,566</u>
Total assets less current liabilities			
		<u>10,626</u>	<u>10,566</u>
Deferred taxation			
	15	(95)	(68)
		<u>10,531</u>	<u>10,498</u>
Capital and reserves			
Called up share capital	16	1,053	1,050
Share premium account	17	841	819
Capital redemption reserve		56	56
Profit and loss account	17	8,581	8,573
		<u>10,531</u>	<u>10,498</u>
Equity shareholders' funds			
	17	<u>10,531</u>	<u>10,498</u>

These financial statements were approved by the Board on 20 December 2004.

J N Anderson
Chairman

The notes on pages 23 to 34 form part of these financial statements.

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	2,906	2,813
Investments	11	202	204
		3,108	3,017
Current assets			
Debtors	13	3,623	2,103
Cash at bank and in hand		3,300	3,800
		6,923	5,903
Creditors:			
Amounts falling due within one year	14	(1,307)	(730)
Net current assets		5,616	5,173
Total assets less current liabilities		8,724	8,190
Deferred taxation	15	(190)	(174)
		8,534	8,016
Capital and reserves			
Called up share capital	16	1,053	1,050
Share premium account	17	841	819
Capital redemption reserve		56	56
Profit and loss account	17	6,584	6,091
Equity shareholders' funds	17	8,534	8,016

These financial statements were approved by the Board on 20 December 2004.

J N Anderson
Chairman

The notes on pages 23 to 34 form part of these financial statements.

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	20	1,545	1,667
Returns on investments and servicing of finance			
Interest received		131	153
Interest paid		(6)	(3)
		125	150
Taxation			
UK corporation tax		(431)	(449)
Capital expenditure			
Purchase of tangible fixed assets		(940)	(1,309)
Sale of tangible fixed assets		66	43
		(874)	(1,266)
Equity dividends paid		(745)	(746)
Cash outflow before use of management of liquid resources and financing		(380)	(644)
Management of liquid resources			
Disposal of treasury deposits		500	1,100
Financing			
Purchase of ordinary share capital		-	(560)
Shares issued under the Company's share option scheme		25	-
Decrease in cash	21	(145)	(104)

The notes on pages 23 to 34 form part of these financial statements.

1 ACCOUNTING POLICIES

Basis of Preparation

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Titon Holdings Plc and all its subsidiary undertakings made up to 30 September 2004. The acquisition method of accounting is used to consolidate the results of the subsidiaries in the Group financial statements from the date control passes. No profit and loss account is presented for Titon Holdings Plc as permitted by section 230 of the Companies Act 1985.

Goodwill

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

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

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

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

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

Stocks

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

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

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

1 ACCOUNTING POLICIES (CONTINUED)

Foreign currency

The profit and loss financial statements and assets and liabilities of foreign subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Where material exchange differences arise they are taken to reserves.

Foreign currency transactions of UK companies are translated at the rates ruling on the transaction date. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date. Any differences on exchange are taken to the profit and loss account.

Deferred taxation

Provision has been made for deferred tax assets and liabilities in accordance with FRS 19.

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

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

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

Research and development expenditure

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

Leased assets

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

Pension costs

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

2 TURNOVER

The Directors consider the principal activity of the Group to be the only class of business, with the United Kingdom accounting for 90% (2003: 91%) and the rest of the world 10% (2003: 9%) of sales.

3 DIRECTORS AND EMPLOYEES

	2004	2003
	£'000	£'000
Staff costs, including Directors, were as follows:		
Wages and salaries	4,696	4,724
Social security costs	423	403
Other pension costs	226	206
	5,345	5,333

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

	Number	Number
Manufacturing	214	235
Sales, marketing and administration	67	66
	281	301

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

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£'000	£'000
Bank interest	6	3

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation	607	602
Research and development expenditure written off	525	623
Other operating lease rentals - land and buildings	171	171
Auditors' remuneration - for audit services including £5,000 in respect of the Company (2003: £4,000)	26	29
- non audit services	9	11
Profit on disposal of fixed assets	(1)	(14)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
UK corporation tax	303	479
Adjustment in respect of prior years	(26)	(16)
	<hr/>	<hr/>
Total UK corporation tax	277	463
Overseas taxation	1	-
	<hr/>	<hr/>
Total current tax	278	463
Deferred taxation	27	(30)
	<hr/>	<hr/>
	305	433
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the period:	2004 £'000	2003 £'000
Profit on ordinary activities before tax	1,062	1,519
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	319	456
Effect of:		
Disallowable expenses	20	13
Capital allowances in excess of depreciation	(18)	(3)
Short term timing differences	(6)	13
Difference in exchange rates	(12)	-
Adjustments in respect of prior periods	(26)	(16)
Overseas taxation	1	-
	<hr/>	<hr/>
Current tax charge for the period	278	463
	<hr/> <hr/>	<hr/> <hr/>

7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	2004 £'000	2003 £'000
Profit after taxation and before dividends dealt with in the financial statements of the parent company	1,244	1,242
	<hr/> <hr/>	<hr/> <hr/>

8 DIVIDENDS

	2004	2003
	£'000	£'000
Equity dividends on ordinary shares		
Prior year adjustment - final dividend	-	(27)
Interim paid of 2.3p per share (2003: 2.3p)	244	241
Final proposed of 4.8p per share (2003: 4.8p)	505	504
	749	718

9 EARNINGS PER ORDINARY SHARE

Earnings per share has been calculated in accordance with FRS 14. Basic earnings per share has been calculated by dividing the profit attributable to shareholders of £757,000 (2003: £1,086,000) by the weighted average number of ordinary shares in issue during the year of 10,523,878 (2003: 10,657,159).

The diluted earnings per share has been calculated by dividing the profit attributable to shareholders of £757,000 (2003: £1,086,000) by the weighted average number of ordinary shares and potential dilutive ordinary shares during the year of 10,597,741 (2003: 10,693,452). All dilutive ordinary shares relate to share options.

10 TANGIBLE ASSETS

Group	Freehold land and buildings £'000	Improvements to leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At beginning of year	3,250	102	6,836	581	10,769
Additions	172	-	610	158	940
Disposals	-	-	(419)	(123)	(542)
At end of year	3,422	102	7,027	616	11,167
Depreciation					
At beginning of year	468	93	5,893	290	6,744
Provided for the year	64	3	414	126	607
Disposals	-	-	(399)	(76)	(475)
At end of year	532	96	5,908	340	6,876
Net book value					
At 30 September 2004	2,890	6	1,119	276	4,291
At 30 September 2003	2,782	9	943	291	4,025

10 TANGIBLE ASSETS (CONTINUED)

Company	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At beginning of year	3,250	71	3,321
Additions	172	-	172
Disposals	-	-	-
At end of year	3,422	71	3,493
Depreciation			
At beginning of year	468	40	508
Provided for the year	64	15	79
Disposals	-	-	-
At end of year	532	55	587
Net book value At 30 September 2004	2,890	16	2,906
At 30 September 2003	2,782	31	2,813

11 FIXED ASSET INVESTMENTS

	Company £'000
At beginning of year	204
Exchange movement of foreign investment	(2)
At end of year	202

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

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

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

12 STOCKS

	Group	
	2004	2003
	£'000	£'000
Raw materials and consumables	307	292
Work in progress	737	663
Finished goods and goods for resale	1,536	1,487
	2,580	2,442

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

13 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	3,134	3,188	-	-
Amounts owed by subsidiary undertakings	-	-	3,623	2,098
Other debtors	11	22	-	5
Prepayments and accrued income	56	38	-	-
	3,201	3,248	3,623	2,103

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank overdrafts	706	231	706	130
Trade creditors	1,374	1,334	2	2
Other creditors	61	34	-	-
Creditors for other taxation and social security	463	481	9	9
Corporation tax	97	249	15	17
Proposed dividend	505	504	505	504
Accruals	257	213	70	68
	3,463	3,046	1,307	730

The bank overdraft is unsecured.

15 PROVISION FOR DEFERRED TAXATION

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

	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
Group			
Opening balance	111	(43)	68
Prior year adjustment	3	-	3
Current year charge to profit and loss	17	7	24
Closing provision	<u>131</u>	<u>(36)</u>	<u>95</u>
Company			
Opening balance	182	(8)	174
Prior year adjustment	4	-	4
Current year charge to profit and loss	12	-	12
Closing provision	<u>198</u>	<u>(8)</u>	<u>190</u>

16 SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
13,600,000 ordinary shares of 10p each	<u>1,360</u>	<u>1,360</u>
Allotted, called up and fully paid		
10,528,800 ordinary shares of 10p each (2003: 10,502,200)	<u>1,053</u>	<u>1,050</u>

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

Share options

Options have been granted over the following number of ordinary shares which were outstanding at 30 September 2004:

Date granted	Number of shares	Subscription price	Exercisable between
23 December 1994	26,300	161.0p	23 December 1997 and 23 December 2004
16 January 1996	59,000	103.0p	6 January 1999 and 16 January 2006
24 December 1996	12,600	82.0p	24 December 1999 and 24 December 2006
11 March 1998	87,800	86.5p	11 March 2001 and 11 March 2008
16 December 1998	25,750	89.5p	16 December 2001 and 16 December 2008
2 June 1999	16,600	89.0p	2 June 2003 and 2 June 2009
18 January 2002	148,900	103.5p	18 January 2005 to 18 January 2012
21 May 2004	36,150	91.0p	21 May 2007 to 21 May 2014
	<u>413,100</u>		

17 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total share- holders funds £'000
Group					
At 1 October 2002	1,106	819	-	8,763	10,688
Profit for the financial year	-	-	-	1,086	1,086
Purchase of ordinary share capital	(56)	-	56	(560)	(560)
Dividends	-	-	-	(718)	(718)
Exchange movement on foreign investment	-	-	-	2	2
At 1 October 2003	1,050	819	56	8,573	10,498
Shares issued under the Company's share option scheme	3	22	-	-	25
Profit for the financial year	-	-	-	757	757
Dividends	-	-	-	(749)	(749)
At 30 September 2004	1,053	841	56	8,581	10,531
Company					
At 1 October 2002	1,106	819	-	6,125	8,050
Profit for the financial year	-	-	-	1,242	1,242
Purchase of ordinary share capital	(56)	-	56	(560)	(560)
Dividends	-	-	-	(718)	(718)
Exchange movement on foreign investment	-	-	-	2	2
At 1 October 2003	1,050	819	56	6,091	8,016
Shares issued under the Company's share option scheme	3	22	-	-	25
Profit for the financial year	-	-	-	1,244	1,244
Dividends	-	-	-	(749)	(749)
Exchange movement on foreign investment	-	-	-	(2)	(2)
At 30 September 2004	1,053	841	56	6,584	8,534

Included within the profit and loss account is £111,000 of goodwill (2003: £111,000) arising on acquisitions in prior years, and prior to the implementation of FRS 10.

18 FINANCIAL INSTRUMENTS

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

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

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

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

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

Financial assets

The Group's financial assets at 30 September were:

	Floating rate financial assets	
	2004	2003
Currency	£'000	£'000
Sterling	3,934	3,805
US Dollar	19	28
Euro	64	64
	4,017	3,897

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

Financial liabilities

The Group's floating rate financial liabilities at 30 September 2004 comprise solely of a sterling bank overdraft in the sum of £706,000 (2003: £231,000) repayable on demand. This liability is offset against bank deposits for the purposes of interest payment calculation.

The Group has undrawn committed bank borrowing facilities of £500,000. This facility was renewed on 1 October 2004.

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

19 COMMITMENTS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Capital commitments				
Contracted but not provided	110	233	-	180

Operating leases

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

	2004	2003
	£'000	£'000
Operating leases which expire within:		
One year	45	80
Two to five years	68	41
After five years	-	50

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

20 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£'000	£'000
Operating profit	937	1,369
Depreciation	607	602
Increase in stocks	(138)	(205)
Decrease/(increase) in debtors	47	(7)
(Decrease)/increase in creditors	93	(78)
Profit on sale of fixed assets	(1)	(14)
Net cash inflow from operating activities	1,545	1,667

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	145	(104)
Decrease in liquid resources	(500)	(1,100)
	<hr/>	<hr/>
Change in net funds resulting from cashflows and movement in net funds in the year	(355)	(1,204)
Opening net funds	3,666	4,870
	<hr/>	<hr/>
Closing net funds	<u>3,311</u>	<u>3,666</u>

22 ANALYSIS OF NET FUNDS

	At 1 October 2003 £'000	Cashflow £'000	At 30 September 2004 £'000
Cash at bank and in hand	3,897	120	4,017
Treasury deposits shown as liquid resources	(3,800)	500	(3,300)
	<hr/>	<hr/>	<hr/>
	97	620	717
Bank overdrafts	(231)	(475)	(706)
	<hr/>	<hr/>	<hr/>
Cash	(134)	145	11
Treasury deposits	3,800	(500)	3,300
	<hr/>	<hr/>	<hr/>
Total	<u>3,666</u>	<u>(355)</u>	<u>3,311</u>

23 PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 3). The unpaid contributions outstanding at the year end, included in accruals (note 14) are £29,000 (2003: £28,000).

Notice is hereby given that the Annual General Meeting of the shareholders of Titon Holdings Plc ("the Company") will be held at International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL on 16 February 2005 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To consider the financial statements and reports of the Directors and of the Auditors for the year ended 30 September 2004.
2. To declare a final dividend of 4.8p per share on the ordinary shares of the Company.
3. To re-elect C S Jarvis as a Director of the Company.
4. To re-elect C J Martin as a Director of the Company.
5. To re-elect P E O'Sullivan as a Director of the Company.
6. To re-elect T N Anderson as a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

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

8. THAT
 - (a) In accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:
 - (i) this authority shall (unless previously revoked, varied or renewed) expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 15 May 2006 whichever shall occur earlier; and
 - (ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £250,000 (representing approximately 23.7% of the existing issued share capital of the Company as at 20 December 2004).
 - (b) For the purpose of sub-paragraph (a) above:
 - (i) the said authority shall allow and enable the Company to make an offer or agreement which would or might require relevant securities to be allotted after expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
 - (ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meanings herein.

9. THAT

- (a) Conditionally upon the passing of Resolution 8 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 8 above as if sub-section (1) of Section 89 of the said Act did not apply to such allotment provided that:
- (i) the power hereby granted shall be limited :
 - (aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holding of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and
 - (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of equity securities up to an aggregate nominal amount of £50,000 (representing approximately 4.8% of the existing issued share capital of the Company as at 20 December 2004);
 - (ii) the power hereby granted shall (unless previously revoked, varied or renewed) expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 15 May 2006 whichever shall occur earlier;
- (b) (i) the said power shall allow and enable the Company to make an offer or agreement which would or might require equity securities to be allotted after expiry of such power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred herein had not expired; and
- (ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein.
- (c) This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94 (3A) of the Companies Act 1985 as if in sub-paragraph (a) of this Resolution the words "pursuant to the authority conferred by Resolution 8 above" were omitted.

10. THAT

the Company be and is hereby generally authorised to make market purchases (within the meaning of Section 163(3) of the Companies act 1985), on such terms and in such manner as the Directors shall determine, on the London Stock Exchange of up to an aggregate of 1,050,000 ordinary shares of 10 pence each in its capital at a price per share being not more than 5% above the average of the market values of an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made and not less than 10 pence per ordinary share (in each case exclusive of expenses) and that the authority conferred by this Resolution shall expire (unless previously revoked, varied or renewed) on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 15 August 2006, whichever shall occur earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date which might be executed wholly or partly after such date).

11. THAT

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

By order of the Board

D A Ruffell
Secretary
20 December 2004

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

Notes:

1. In accordance with Regulation 41 of The Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at close of business on 15 February 2005 shall be entitled to attend or vote at the meeting in respect of the number shares registered in their name at that time. Changes to entries on the register of members after close of business on 15 February 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A statement of Directors' interest and copies of their service contracts are available for inspection during usual business hours at the registered office of the Company on each business day before, and will be available at the place of the Annual General Meeting for fifteen minutes prior to and during, the meeting.
3. Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of that member. If a member appoints two or more proxies he must do so in the alternative, and only one of such proxies may attend the meeting as such and vote instead of such member. A proxy need not be a member of the Company.
4. A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid, the form of proxy must be deposited at the registered office of the Company at International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL, NOT LATER THAN 10.00 A.M on 15 February 2005, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy such power or authority. The completion and return of the form of proxy will not, however, preclude you from attending and voting at the meeting if you so wish.

DIRECTORS**Executive**

J N Anderson (Chairman)
D A Ruffell (Chief Executive)
T N Anderson (Appointed 1 January 2004)
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

AUDITORS

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Compass House
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Cambridge
CB5 8DZ

BROKERS

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

SOLICITORS

Macfarlanes
10 Norwich Street
London EC4A 1BD

REGISTRARS AND TRANSFER OFFICE

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU