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**FINANCIAL RESULTS**

Profit before taxation for the year was 1.9% lower than last year at £1.52 million (2002: £1.55 million), on turnover 6.7% higher at £16.31 million (2002: £15.28 million). Interest income has reduced, and at the operating level, profits were just 1.4% down at £1.37 million (2002: £1.39 million). Earnings per share have increased by 3.5% to 10.19p (2002: 9.85p).

The Directors are proposing a final dividend of 4.8p per ordinary share (2002:4.8p), making a total of 7.1p for the year (2002: 7.1p). The dividend will be payable on 20 February 2004 to shareholders on the register on 23 January 2004. The ex-dividend date will be 21 January 2004.

In January 2003 the Company repurchased and cancelled 560,000 of its shares, representing some 5.1% of total shares in issue at the time. These shares were repurchased at an average price of £1.00 each.

Following the repurchase of shares and the investment in new premises, net cash balances at the year-end have reduced to stand at £3.67 million (2002: £4.87 million).

**SALES COMMENTARY**

Despite strong profit growth reported by some UK house builders over the past year, market conditions for many component suppliers remains extremely competitive. This is particularly the case in the window industry, where there is significant overcapacity amongst both timber manufacturers and PVCu fabricators. The result of this for Titon is that the growth in turnover that we have achieved has been largely offset by margin reduction, due to the difficulty of passing on cost increases to our customers.

The UK market for our wide range of background ventilation products is still very much driven by Regulation although more often today by best practice and by consumer awareness. As mentioned in my previous reports to shareholders, the Regulation that underpins our business is presently under review, with important drafts to be announced in the spring of 2004. We have invested a significant amount of resource over the past year in monitoring this regulatory evolution as well as in the development and testing of new products in readiness for any possible change. We are currently launching our new 'OmniGlaze' glazed-in ventilator and over the coming months will introduce other new products to the market, including for the first time, extract power units.

Whilst ventilation products are the most important part of our product portfolio, we have seen encouraging sales growth in other important sectors of our UK market. Sales of most of our ranges of window handle and stay product ranges have seen advances this year, even to the extent of presenting us with occasional supply problems in this area of operation.

The Company distributes a wide range of window hinge and locking systems that it sources both from UK and from Western European manufacturers. Sales of these products have also improved during the year, and we are greatly encouraged by the contribution being made by our recently formed Commercial Department, which has greatly raised our profile within the aluminium door and window market.

It is particularly pleasing to report a significant and broadly based increase in our export sales. The market in the USA has shown some improvement and we are demonstrating our commitment to this by relocating one of the Directors of our main operating subsidiary to our Indiana office for an extended period.

**MANUFACTURING**

The refurbishment of the 23,000 sq ft recently purchased unit adjacent to our existing factory complex, as reported at the half year, is almost complete. The total cost of this building will be approximately £1 million and will enable us to terminate at least one existing lease. The building will be used to house our Finished Goods Warehouse and Despatch Department and will be operational early in the New Year.

The difficulties of manufacturing in the UK have been widely acknowledged and Titon is not immune to these pressures. Over the past decade we have invested considerably in high quality plant, tooling and premises as well as in the automation of assembly processes. Despite this, we find it increasingly difficult to maintain a satisfactory margin, which is not being helped by greatly increased costs in areas such as insurance premiums, National Insurance Contributions and Health and Safety compliance. Whilst we will endeavour to control these costs where possible, we are in many ways reliant upon those whose decisions and influences are making the majority of UK manufacturing less competitive.

**PERSONNEL**

The Company was greatly saddened by the death of a longstanding Director, Mr Ron Cheek during the summer. Ron had been with Titon from the early years and was Managing Director of our Sales and Marketing Division for most of this period. Although semi-retired due to poor health for the past two years, he was still able to contribute until his death. Ron was a great friend, work colleague and industry specialist and he will be greatly missed by all.

I am pleased to report that Mr Tyson Anderson will be joining the Board of Titon Holdings Plc effective from 1 January 2004. Tyson joined the Group in 1993 and has been Marketing Director of the main operating subsidiary, Titon Hardware Limited, since 1999.

The entire Titon team provides the basis for the underlying strength of the Company and, on behalf of the Board, I should like to thank them for their contribution during what has been a demanding twelve months.

**PROSPECTS**

There is still uncertainty in the UK Regulatory area, but Titon will continue to investigate and develop further innovative ideas in ventilation products to meet any proposals emanating from revised Building Regulations. Our new venture into powered ventilation products follows considerable research and we are confident that the niche products chosen to compliment our current background ventilation ranges will be successful.

It has been most encouraging to see growth in sectors of our business other than UK ventilation and we anticipate that this will continue. We will explore all possibilities to remain competitive and are confident that, if market conditions remain stable, opportunities to improve the Company's position can be developed.

**John Anderson**  
**Chairman**

11 December 2003

The Directors present their report and the Group financial statements for the year ended 30 September 2003.

**RESULTS AND DIVIDENDS**

The consolidated profit and loss account is set out on page 17 and shows a profit, after taxation, of £1,086,000 (2002: £1,090,000) for the year.

The Directors recommend the payment of a final ordinary dividend of 4.8p (2002: 4.8p) per ordinary share. This, when taken with the interim dividend of 2.3p (2002: 2.3p) per ordinary share paid on 1 July 2003, gives a total dividend of 7.1p (2002: 7.1p) per ordinary share for the year ended 30 September 2003.

**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 £623,000 during the year (2002: £553,000).

**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 charitable donations of £1,187 (2002: £2,281).

**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 52 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 2003	30 September 2002 or date of appointment
	Ordinary shares of 10p each	Ordinary shares of 10p each
	Beneficial interest	Beneficial interest
J N Anderson	2,237,802	2,237,802
R Brighton	20,000	20,000
R W C Cheek	113,984	113,984
P W E Fitt	-	-
N C Howlett	10,000	10,000
C S Jarvis	71,500	86,500
C J Martin	43,000	32,000
D A Ruffell	69,000	69,000
P E O'Sullivan	-	-

R W C Cheek deceased on the 30 July 2003. Accordingly, the ordinary shares shown as held by him on 30 September 2003 were held by his estate.

Details of Directors' share options are given in the Directors' Remuneration Report on page 11.

There were no changes in Directors' beneficial shareholdings between 30 September 2003 and 19 December 2003.

**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;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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.

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 19 December 2003, 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	1,716,612	16.3
Standard Life Investments	1,100,000	10.5
Mrs C Ritchie	1,077,280	10.3
Mrs A Clipsham	959,879	9.2

**SHARE CAPITAL**

In January 2003 the Company repurchased and cancelled 560,000 of its ordinary shares of 10p each at a total cost of £560,000 as part of its aim to increase earnings per share. These transactions represented some 5.1% of the total shares in issue at the time. As at 30 September 2003 the authority given to the Company at the last Annual General Meeting to purchase its own shares remained outstanding in relation to 1,100,000 shares.

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at the Company's registered office on 18 February 2004 commencing at 10.00 a.m. You will find on page 33 of this document a Notice convening the Annual General Meeting of the Company for 2004.

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 6 in the Notice of Meeting.

Resolutions 3 to 5 are resolutions to re-elect Mr R Brighton, Mr D A Ruffell and Mr P W E Fitt 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 12.

**ANNUAL GENERAL MEETING (CONTINUED)**

Resolution 6 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 7 to 10 in the Notice of the Meeting.

Resolution 7, 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 23.8% of the current issued share capital. This authority will expire on the date of the next Annual General Meeting of the Company or on 17 May 2005, whichever is earlier. There is no intention at present of making any issues of shares other than on the exercise of employee share options.

Resolution 8, 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 17 May 2005, whichever is earlier, to disapply the statutory pre-emption rights for any allotment of shares 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 4.8% of the existing issued share capital of the Company.

Resolution 9, 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 17 August 2005 or the date of the next Annual General Meeting of the Company.

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.

As at 19 December 2003, there were options outstanding over 448,550 ordinary shares which, if exercised at that date, would have represented 4.3% of the Company's issued ordinary share capital. If the authority given by Resolution 9 were to be fully used, these would then represent approximately 4.7% of the Company's issued ordinary share capital.

Resolution 10 is to approve the Directors' Remuneration Report. Under the Directors' Remuneration Report Regulations 2002 which became law in August 2002, listed companies are now required to put a resolution to shareholders at each annual general meeting to approve the Directors' Remuneration Report. Resolution 10 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 8 to 12.

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**  
19 December 2003

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 18 February 2004. 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, but 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.

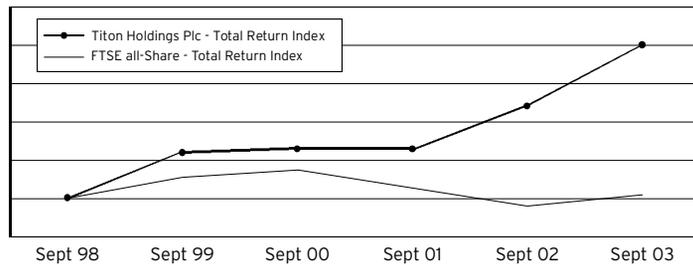
There are presently two share option schemes; one Inland Revenue approved and the other unapproved in which employees may be invited to participate. Both of these schemes were introduced in February 1998. The exercise of options granted under these schemes is dependent upon the growth in the earnings 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. 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.

**Total Shareholder Return Index**



This graph shows the value, at 30 September 2003, of £1 invested in the Company on 30 September 1998 (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 2003, 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 2004.

Both of the Non-Executive Directors have annual contracts, entered into on 1 October 2003, that do not contain notice periods and which expire on 30 September 2004. 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 2003, 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.

**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	
			2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Executive:</b>						
J N Anderson	112	24	136	129	11	11
R Brighton	63	8	71	69	6	6
R C W Cheek - (Deceased 30 July 2003)	23	10	33	37	-	3
N C Howlett	50	8	58	38	5	3
C S Jarvis	53	12	65	61	5	5
C J Martin	56	8	64	61	6	5
D A Ruffell	81	11	92	87	8	8
<b>Non-executive:</b>						
P W E Fitt	13	-	13	13	-	-
P E O'Sullivan *	25	-	25	-	-	-
	<u>476</u>	<u>81</u>	<u>557</u>	<u>495</u>	<u>41</u>	<u>41</u>

\* Inclusive of £22,500 relating to consultancy fees

J N Anderson, the Chairman, is the highest paid Director.

**SHARE OPTIONS**

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

		Award price	Exercise price	At 30 September 2003 or on cessation of appointment if earlier	At 1 October 2002
				Number	Number
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
				<b>41,000</b>	<b>41,000</b>
R C W Cheek	(b)	£20.00	103.0p	10,000	10,000
				<b>10,000</b>	<b>10,000</b>
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
			<b>30,000</b>	<b>30,000</b>	
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
			<b>37,000</b>	<b>37,000</b>	
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
			<b>18,600</b>	<b>18,600</b>	
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
			<b>56,000</b>	<b>56,000</b>	

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

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.

**SHARE OPTIONS (CONTINUED)**

At 30 September 2003 the market price of the Company's shares was 130.5p, and the range during the year was 90p to 130.5p.

There have been no changes to the number of share options held by Directors between 30 September 2003 and 19 December 2003.

**ROTATION OF DIRECTORS AND SERVICE CONTRACTS**

The Directors who retire by rotation are Mr R Brighton, Mr D A Ruffell and Mr P W E Fitt. All three Directors, being eligible, offer themselves for re-election.

Mr R Brighton, aged 53, has been with the Group for 25 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 6 years. He has a service contract which expires on 31 July 2004.

Mr D A Ruffell, aged 45, 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 2004.

Mr P W E Fitt, aged 57, has been a Non-Executive Director of the company since its flotation in 1988. He is a fellow member of the Institute of Chartered Accountants in England and Wales and was the Company's auditor before it became a public company. Mr Fitt also holds Directorship with The Colchester Catalyst Charity. His Non-Executive Director contract for services expires on 30 September 2004.

**P W E Fitt****Non-Executive Director**

19 December 2003

**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 six 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. Additionally, the committee does not have written terms of reference, although this is being reviewed.

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 2003 the Board consisted of the Chairman, the Chief Executive, four other Executive Directors and two Non-Executive Directors. Professor P E O'Sullivan was appointed as a Non-Executive Director during the year on 1 October 2002.

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.

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.

**Directors (continued)**

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.

Full details of Directors' remuneration and a statement of the Company's remuneration policy is set out in the Directors' Remuneration Report on pages 8 to 12.

**Risk Management and Internal Control**

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 6 and 15.

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 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 2003 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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, Directors' Remuneration Report, Statement on Corporate Governance and Internal Control and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**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. 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 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 2003 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  
19 December 2003

	Note	<b>2003</b> <b>£'000</b>	2002 £'000
<b>Turnover</b>	2	<b>16,310</b>	15,283
Cost of sales		<b>11,889</b>	10,979
<b>Gross profit</b>		<b>4,421</b>	4,304
Distribution costs		<b>669</b>	681
Administrative expenses		<b>2,383</b>	2,237
		<b>3,052</b>	2,918
<b>Operating profit</b>		<b>1,369</b>	1,386
Interest receivable		<b>153</b>	171
Interest payable and similar charges	4	<b>(3)</b>	(4)
<b>Profit on ordinary activities before taxation</b>	5	<b>1,519</b>	1,553
Taxation on profit on ordinary activities	6	<b>433</b>	463
<b>Profit on ordinary activities after taxation attributable to the members of Titon Holdings Plc</b>		<b>1,086</b>	1,090
Dividends	8	<b>718</b>	785
<b>Retained profit for the financial year</b>		<b>368</b>	305
<b>Earnings per share</b>			
- basic	9	<b>10.19p</b>	9.85p
- diluted	9	<b>10.16p</b>	9.83p

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 £1,086,000 in the year ended 30 September 2003 and the profit of £1,090,000 in the year ended 30 September 2002.

The notes on pages 21 to 32 form part of these financial statements.

at 30 September 2003

	Note	<b>2003</b> <b>£'000</b>	2002 £'000
<b>Fixed assets</b>			
Tangible assets	10	<b>4,025</b>	3,347
<b>Current assets</b>			
Stocks	12	<b>2,442</b>	2,237
Debtors	13	<b>3,248</b>	3,241
Cash at bank and in hand		<b>3,897</b>	5,004
		<b>9,587</b>	10,482
<b>Creditors:</b>			
Amounts falling due within one year	14	<b>(3,046)</b>	(3,043)
<b>Net current assets</b>		<b>6,541</b>	7,439
<b>Total assets less current liabilities</b>		<b>10,566</b>	10,786
<b>Deferred taxation</b>	15	<b>(68)</b>	(98)
		<b>10,498</b>	10,688
<b>Capital and reserves</b>			
Called up share capital	16	<b>1,050</b>	1,106
Share premium account	17	<b>819</b>	819
Capital redemption reserve		<b>56</b>	-
Profit and loss account	17	<b>8,573</b>	8,763
<b>Equity shareholders' funds</b>	17	<b>10,498</b>	10,688

These financial statements were approved by the Board on 19 December 2003.

**J N Anderson**  
**Chairman**

The notes on pages 21 to 32 form part of these financial statements.

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	10	2,813	2,058
Investments	11	204	202
		<u>3,017</u>	<u>2,260</u>
<b>Current assets</b>			
Debtors	13	2,103	1,811
Cash at bank and in hand		3,800	4,900
		<u>5,903</u>	<u>6,711</u>
<b>Creditors:</b>			
Amounts falling due within one year	14	(730)	(739)
<b>Net current assets</b>		<u>5,173</u>	<u>5,972</u>
<b>Total assets less current liabilities</b>		<u>8,190</u>	<u>8,232</u>
<b>Deferred taxation</b>	15	(174)	(182)
		<u>8,016</u>	<u>8,050</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,050	1,106
Share premium account	17	819	819
Capital redemption reserve		56	-
Profit and loss account	17	6,091	6,125
<b>Equity shareholders' funds</b>	17	<u>8,016</u>	<u>8,050</u>

These financial statements were approved by the Board on 19 December 2003.

**J N Anderson**  
Chairman

The notes on pages 21 to 32 form part of these financial statements.

	Note	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	20	<u>1,667</u>	<u>2,114</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		153	171
Interest paid		(3)	(4)
		<u>150</u>	<u>167</u>
<b>Taxation</b>			
UK corporation tax		(449)	(520)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(1,309)	(429)
Sale of tangible fixed assets		43	33
		<u>(1,266)</u>	<u>(396)</u>
<b>Equity dividends paid</b>		<u>(746)</u>	<u>(774)</u>
<b>Cash (outflow)/inflow before use of management of liquid resources and financing</b>		<b>(644)</b>	591
<b>Management of liquid resources</b>			
Disposal/(purchase) of treasury deposits		1,100	(600)
<b>Financing</b>			
Purchase of ordinary share capital		(560)	-
<b>Decrease in cash</b>	21	<u><u>(104)</u></u>	<u><u>(9)</u></u>

The notes on pages 21 to 32 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 2003. 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 FRS10 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 FRS19.

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 being the primary geographical market. No other significant geographical segments exist.

**3 DIRECTORS AND EMPLOYEES**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Staff costs, including Directors, were as follows:		
Wages and salaries	<b>4,724</b>	4,353
Social security costs	<b>403</b>	368
Other pension costs	<b>206</b>	183
	<b>5,333</b>	4,904

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

	<b>Number</b>	Number
Manufacturing	<b>235</b>	212
Sales, marketing and administration	<b>66</b>	64
	<b>301</b>	276

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 8 to 12.

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Bank interest	<b>3</b>	4

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
This is arrived at after charging/(crediting):		
Depreciation	<b>602</b>	603
Research and development expenditure written off	<b>623</b>	553
Other operating lease rentals - land and buildings	<b>171</b>	153
Auditors' remuneration - for audit services including £5,000 in respect of the Company (2002: £4,000)	<b>29</b>	27
- non audit services	<b>11</b>	7
Profit on disposal of fixed assets	<b>(14)</b>	(4)

**6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
UK corporation tax	<b>479</b>	470
Adjustment in respect of prior years	<b>(16)</b>	(18)
	<hr/>	<hr/>
Total UK corporation tax	<b>463</b>	452
Overseas taxation	-	2
	<hr/>	<hr/>
Total current tax	<b>463</b>	454
Deferred taxation	<b>(30)</b>	9
	<hr/>	<hr/>
	<b>433</b>	463
	<hr/> <hr/>	<hr/> <hr/>

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Factors affecting the tax charge for the period:		
Profit on ordinary activities before tax	<b>1,519</b>	1,553
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002:30%)	<b>456</b>	466
Effect of:		
Disallowable expenses and non-taxable income	<b>13</b>	10
Capital allowances in excess of depreciation	<b>(3)</b>	(5)
Short term timing differences	<b>13</b>	(1)
Adjustments in respect of prior periods	<b>(16)</b>	(18)
Overseas taxation	-	2
	<hr/>	<hr/>
Current tax charge for the period	<b>463</b>	454
	<hr/> <hr/>	<hr/> <hr/>

**7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Profit after taxation and before dividends dealt with in the financial statements of the parent company	<b>1,242</b>	1,263
	<hr/> <hr/>	<hr/> <hr/>

**8 DIVIDENDS**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Equity dividends on ordinary shares		
Prior year adjustment - final dividend	<b>(27)</b>	-
Interim paid of 2.3p per share (2002: 2.3p)	<b>241</b>	254
Final proposed of 4.8p per share (2002: 4.8p)	<b>504</b>	531
	<b>718</b>	785

**9 EARNINGS PER ORDINARY SHARE**

Earnings per share has been calculated in accordance with FRS14. Basic earnings per share has been calculated by dividing the profit attributable to shareholders of £1,086,000 (2002: £1,090,000) by the weighted average number of ordinary shares in issue during the year of 10,657,159 (2002: 11,062,200).

The diluted earnings per share has been calculated by dividing the profit attributable to shareholders of £1,086,000 (2002: £1,090,000) by the weighted average number of ordinary shares and potential dilutive ordinary shares during the year of 10,693,452 (2002: 11,090,291). All dilutive ordinary shares relate to share options.

**10 TANGIBLE ASSETS**

<b>Group</b>	Freehold land and buildings £'000	Improvements to leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At beginning of year	2,425	102	6,586	622	9,735
Additions	825	-	335	149	1,309
Disposals	-	-	(85)	(190)	(275)
At end of year	3,250	102	6,836	581	10,769
Depreciation					
At beginning of year	416	90	5,566	316	6,388
Provided for the year	52	3	411	136	602
Disposals	-	-	(84)	(162)	(246)
At end of year	468	93	5,893	290	6,744
<b>Net book value</b>					
<b>At 30 September 2003</b>	<b>2,782</b>	<b>9</b>	<b>943</b>	<b>291</b>	<b>4,025</b>
At 30 September 2002	2,009	12	1,020	306	3,347

**10 TANGIBLE ASSETS (CONTINUED)**

<b>Company</b>	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At beginning of year	2,425	71	2,496
Additions	825	-	825
Disposals	-	-	-
At end of year	3,250	71	3,321
Depreciation			
At beginning of year	416	22	438
Provided for the year	52	18	70
Disposals	-	-	-
At end of year	468	40	508
<b>Net book value At 30 September 2003</b>	<b>2,782</b>	<b>31</b>	<b>2,813</b>
At 30 September 2002	2,009	49	2,058

**11 FIXED ASSET INVESTMENTS**

	<b>Company £'000</b>
At beginning of year	202
Exchange movement of foreign investment	2
At end of year	<b>204</b>

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.

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
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**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>£'000</b>	£'000
Raw materials and consumables	<b>292</b>	301
Work in progress	<b>663</b>	700
Finished goods and goods for resale	<b>1,487</b>	1,236
	<b><u>2,442</u></b>	<u>2,237</u>

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

**13 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade debtors	<b>3,188</b>	3,173	-	-
Amounts owed by subsidiary undertakings	-	-	<b>2,098</b>	1,810
Other debtors	<b>22</b>	19	<b>5</b>	1
Prepayments and accrued income	<b>38</b>	49	-	-
	<b><u>3,248</u></b>	<u>3,241</u>	<b><u>2,103</u></b>	<u>1,811</u>

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Bank loans and overdrafts	<b>231</b>	134	<b>130</b>	134
Trade creditors	<b>1,334</b>	1,453	<b>2</b>	2
Other creditors	<b>34</b>	39	-	-
Creditors for other taxation and social security	<b>481</b>	489	<b>9</b>	9
Corporation tax	<b>249</b>	237	<b>17</b>	11
Proposed dividend	<b>504</b>	531	<b>504</b>	531
Accruals	<b>213</b>	160	<b>68</b>	52
	<b><u>3,046</u></b>	<u>3,043</u>	<b><u>730</u></b>	<u>739</u>

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
<b>Group</b>			
Opening balance	114	(16)	98
Prior year adjustment	(6)	-	(6)
Current year charge / (credit) to profit and loss	3	(27)	(24)
Closing provision	<b>111</b>	<b>(43)</b>	<b>68</b>
<b>Company</b>			
Opening balance	182	-	182
Prior year adjustment	(7)	-	(7)
Current year charge/(credit) to profit and loss	7	(8)	(1)
Closing provision	<b>182</b>	<b>(8)</b>	<b>174</b>

**16 SHARE CAPITAL**

	2003 £'000	2002 £'000
<b>Authorised</b>		
13,600,000 ordinary shares of 10p each	<b>1,360</b>	1,360
<b>Allotted, called up and fully paid</b>		
10,502,200 ordinary shares of 10p each (2002: 11,062,200)	<b>1,050</b>	1,106

In January 2003 the Company repurchased and cancelled ordinary shares with a nominal value of £56,000 at a total cost of £560,000.

**Share options**

Options have been granted over the following number of ordinary shares which were outstanding at 30 September 2003:

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	86,150	103.0p	16 January 1999 and 16 January 2006
24 December 1996	22,050	82.0p	24 December 1999 and 24 December 2006
11 March 1998	117,800	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	21,600	89.0p	2 June 2002 and 2 June 2009
18 January 2002	148,900	103.5p	18 January 2005 to 18 January 2012
	<b>448,550</b>		

**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
<b>Group</b>					
At 1 October 2001	1,106	819	-	8,458	10,383
Profit for the financial year	-	-	-	1,090	1,090
Dividends	-	-	-	(785)	(785)
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
<b>At 30 September 2003</b>	<b>1,050</b>	<b>819</b>	<b>56</b>	<b>8,573</b>	<b>10,498</b>
<b>Company</b>					
At 1 October 2001	1,106	819	-	5,647	7,572
Profit for the financial year	-	-	-	1,263	1,263
Dividends	-	-	-	(785)	(785)
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
<b>At 30 September 2003</b>	<b>1,050</b>	<b>819</b>	<b>56</b>	<b>6,091</b>	<b>8,016</b>

Included within the profit and loss account is £111,000 of goodwill (2002: £111,000) arising on acquisitions in prior years, and prior to the implementation of FRS10.

**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:

	2003 £'000	Floating rate financial assets 2002 £'000
Currency		
Sterling	3,805	4,937
US Dollar	28	25
Euro	64	42
	<u>3,897</u>	<u>5,004</u>

The sterling financial assets have a weighted average interest rate of 3.4%, which was arranged monthly. The remainder comprise of bank current accounts.

**Financial liabilities**

The Group's financial liabilities at 30 September 2003 comprise solely of a sterling bank overdraft in the sum of £230,484 (2002: £134,078) 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 is due for renewal on 31 August 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**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
<b>Capital commitments</b>				
Contracted but not provided	<b>233</b>	100	<b>180</b>	-

**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:

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Operating leases which expire within:		
One year	<b>80</b>	-
Two to five years	<b>41</b>	121
After five years	<b>50</b>	50

The Company had no other operating lease commitments at 30 September 2003 (2002: £nil).

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

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Operating profit	<b>1,369</b>	1,386
Depreciation	<b>602</b>	603
Increase in stocks	<b>(205)</b>	(2)
Increase in debtors	<b>(7)</b>	(76)
(Decrease)/increase in creditors	<b>(78)</b>	207
Profit on sale of fixed assets	<b>(14)</b>	(4)
<b>Net cash inflow from operating activities</b>	<b>1,667</b>	2,114

**21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Decrease in cash in the year	<b>(104)</b>	(9)
(Decrease)/increase in liquid resources	<b>(1,100)</b>	600
Change in net funds resulting from cashflows and movement in net funds in the year	<b>(1,204)</b>	591
Opening net funds	<b>4,870</b>	4,279
Closing net funds	<b>3,666</b>	4,870

**22 ANALYSIS OF NET FUNDS**

	At 1 October 2002 £'000	Cashflow £'000	At 30 September 2003 £'000
Cash at bank and in hand	5,004	(1,107)	<b>3,897</b>
Treasury deposits shown as liquid resources	(4,900)	1,100	<b>(3,800)</b>
	104	(7)	<b>97</b>
Bank overdrafts	(134)	(97)	<b>(231)</b>
Cash	(30)	(104)	<b>(134)</b>
Treasury deposits	4,900	(1,100)	<b>3,800</b>
Total	<b>4,870</b>	<b>(1,204)</b>	<b>3,666</b>

**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 £27,682 (2002:£nil).

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 18 February 2004 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 2003.
2. To declare a final dividend of 4.8p per share on the ordinary shares of the Company.
3. To re-elect Mr R Brighton as a Director of the Company.
4. To re-elect Mr D A Ruffell as a Director of the Company.
5. To re-elect Mr P W E Fitt as a Director of the Company.
6. 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 7 and 10 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions.

#### 7. THAT

- (a) In accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:
  - (i) this authority shall (unless previously revoked, varied or renewed) expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 17 May 2005 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 23.8% of the existing issued share capital of the Company as at 19 December 2003).
- (b) For the purpose of sub-paragraph (a) above:
  - (i) the said authority shall allow and enable the Company to make an offer or agreement which would or might require relevant securities to be allotted after expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
  - (ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meanings herein.

8. THAT

- (a) Conditionally upon the passing of Resolution 7 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 7 above as if sub-section (1) of Section 89 of the said Act did not apply to such allotment provided that:
- (i) the power hereby granted shall be limited :
- (aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holding of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and
- (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of equity securities up to an aggregate nominal amount of £50,000 (representing approximately 4.8% of the existing issued share capital of the Company as at 19 December 2003);
- (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 17 May 2005 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.

9. THAT

the Company be and is hereby generally authorised to make market purchases (within the meaning of Section 163(3) of the Companies act 1985), on such terms and in such manner as the Directors shall determine, on the London Stock Exchange of up to an aggregate of 1,050,000 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 17 August 2005, 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).

10. THAT

the Directors' Remuneration Report set out on pages 8 to 12 of the annual report and financial statements be and it is hereby approved.

**By order of the Board**

D A Ruffell  
Secretary  
16 January 2004

Registered Office  
International House  
Peartree Road  
Stanway  
Colchester  
Essex CO3 OJL

**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 16 February 2004 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 16 February 2004 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 OJL, NOT LATER THAN 10.00 A.M on 16 February 2004, 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)  
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**

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

**BROKERS**

Evolution Beeson Gregory Ltd  
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