Annual Report and Financial Statements

(for the year ended 30th September 1996)

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Chairman's Statement

FINANCIAL RESULTS

I am pleased to announce our results for the year ended 30th September 1996.

Profit before taxation was £1.728m, down 4.4% on the previous year (1995: £1.808m). Group turnover of £11.748m was down 2.1% (1995: £12.003m). Earnings per share increased marginally to 10.85p (1995: 10.82p).

The Directors are proposing a final dividend of 3.4p per share (1995: 3.2p) which makes a total for the year of 5.0p (1995: 4.7p), covered 2.2 times by after tax profits.

The dividend will be payable on 24th February 1997 to shareholders on the register on 28th January 1997. The ex-dividend date is 20th January 1997.

This has been another tough trading year with continued downward pressure on selling prices leading to a reduction in gross margins. Changes in our product mix and a reduction in factory overheads have counteracted this and overall gross margins have fallen by only 0.2%. Administration expenses have been reduced by 3% during the year.

Capital expenditure for the year was £0.45m (1995: £1.34m). Cash in hand has increased during the year to stand at £3.98m at the year end. Cash balances amount to 36.1p per share and total net assets 83.2p per share.

SALES COMMENTARY

There has been little difference in the level of activity between the two halves of the year. The number of ventilators sold has increased but by less than had been anticipated. In my statement last year I said "New building regulations effective 1st July 1995, which call for a doubling in size of ventilation outlets and therefore potentially very favourable to the Company, had little impact on the results". The same comment is still relevant one year later, with UK window manufacturers only just beginning to see the demand coming through.

EXPORTS

This has been a good year for exports and the Company is now starting to see the benefits of its hard work and dogged persistence coming through in a tangible form.

Sales were up 27% to £1.4m and exports now represent 12% of Group sales. The improvement has been seen in all markets in which we actively participate and exports are expected to play an increasingly important role in the future.

We have decided to take a more positive position in Continental Europe and as a consequence appointed on 1st October 1996, a full-time multilingual Sales Executive based in Holland. It will be his responsibility to seek out new opportunities including those now being opened up in Eastern Europe.

Indications are that selling, rather than buying opportunities, exist in the Far East and the Company has recently exhibited at a building exhibition in Tokyo.

Chairman's Statement

MANUFACTURING

This has been a year of consolidation for our manufacturing division and I am pleased to say that all units have been operating profitably. Shorter lead times with most products being on a 'next day delivery basis', has meant that we are having to be more flexible in our manufacturing operation.

CAPITAL EXPENDITURE

Down from a high of £1.34m last year to £0.45m this year, capital expenditure was the lowest invested in any one year since 1990. The reduced spending mainly reflects the high level of expenditure over the past five years with an average annual investment of £0.83m. The main category of expenditure this year has been tooling for new products, although an additional injection moulding machine has been purchased at a cost of £40,000.

PERSONNEL

Alan Mellenchip, our UK Sales Director, has been suffering from poor health and has decided to retire early at the end of December 1996. I would like to thank Alan for the significant contribution he has made to the business over the years, and to wish him on your behalf, a long and happy retirement. His responsibilities are being taken over by Ron Cheek, Managing Director of the UK Marketing Division, and Chris Martin, our UK Sales Manager.

I am pleased to say that Titon has a very dedicated workforce and I would like to thank them all for their contribution in what has been another difficult and challenging year.

PROSPECTS

We believe that our commitment to exports will bring further rewards in the coming year, and that any improvement in the UK building sector will be beneficial to the Company.

John Anderson
Chairman
11th December 1996

Report of the Directors

(for the year ended 30th September 1996)

The Directors present their report together with the audited financial statements for the year ended 30th September 1996.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 8 and shows the profit for the year.

The Directors recommend the payment of a final dividend of 3.4p (1995 – 3.2p) per ordinary share. This when taken with the interim dividend of 1.6p (1995 – 1.5p) per ordinary share paid on 1st July 1996, gives a total dividend of 5.0p (1995 – 4.7p) per ordinary share for the year ended 30th September 1996.

PRINCIPAL ACTIVITIES, TRADING REVIEW AND FUTURE DEVELOPMENTS

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

The Directors consider that the result for the year is a reasonable achievement in view of the poor conditions within the market in which the company operates.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the company 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 accounts.

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 its 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 £447,000 during the year (1995 – £474,000).

DONATIONS

During the year the Group made charitable donations of £2,600 (1995 – £1,900).

POLICY ON THE PAYMENT OF CREDITORS

The majority of suppliers to the group are of a long standing nature and mutually acceptable payment terms have been established over the relationship period. Generally payments are 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 the transaction, and will be adhered to by the company.

Report of the Directors

DIRECTORS

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

	30th September 1996 Ordinary shares of 10p each		30th September 1995 Ordinary shares of 10p each	
	Beneficial interest	Non-beneficial interest	Beneficial interest	Non-beneficial interest
J.N. Anderson	2,237,802	–	2,237,802	–
P. Farrar	1,818,559	375,000	1,818,559	375,000
R.C.W. Cheek	124,984	–	124,984	–
C.S. Jarvis	174,000	–	174,000	–
A.G. Mellenchip	248,250	–	248,250	–
P.W.E. Fitt	–	375,000	–	375,000

During the period from 30th September 1996 to 20th December 1996, Mr C.S. Jarvis sold 2,000 ordinary shares. There were no changes in the shareholdings of the other Directors.

Mr A.G. Mellenchip has given notice to retire from office on 31st December 1996 on the grounds of poor health.

The Directors who retire by rotation are Mr P. Farrar and Mr R.C.W. Cheek who, being eligible, offer themselves for re-election. Mr P. Farrar and Mr R.C.W. Cheek both have service contracts which expire on 25th January 1997. All Director's service contracts are renewed on a two year basis.

No Director had any interest in the contracts of the group.

Full details of Directors' emoluments and share options are given in note 6 to the accounts.

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 of the profit or loss of the Company 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;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statement on corporate governance and internal financial control is set out on page 7.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 20th December 1996, the Company had been notified pursuant to the provisions of the Companies Act 1985 (as amended) of the following holdings, other than Directors' holdings, of 3 per cent or more in the ordinary share capital of the Company.

Name	Shares	%
Edinburgh Fund Managers plc	1,117,000	10.1
Prudential Assurance Company Limited	867,000	7.9
Rights and Issues Investment Trust plc	652,510	5.9

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Company's registered office on 20th February 1997 commencing at 10.00 am.

There are three items of special business to be dealt with at the Annual General Meeting. These are set out in Resolutions 6, 7 and 8 in the Notice of the Meeting on page 22 and relate to the following:

Resolution 6, which will be proposed as an Ordinary Resolution, will renew the Directors authority to allot relevant securities up to an aggregate nominal amount of £258,280 being equivalent to approximately 23.4% of the current issued share capital. This authority will expire on the date of the next Annual General Meeting of the Company or on 19th May 1998, whichever is earlier. There is no intention at present of making any issue of shares other than on the exercise of employee share options.

Resolution 7, 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 19th May 1998, 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 £55,000 which is equivalent to approximately 5% of the existing issued share capital of the Company.

Resolution 8, which will be proposed as a Special Resolution, will renew the Company's authority to make market purchases of up to 1,100,000 ordinary shares (representing approximately 10% of its present issued share capital) at a minimum price of 10 pence per share and a maximum price of not more than 5% above the average of the market values of those shares as derived from the London Stock Exchange Daily Official List for the 10 business days before the purchase is made, such authority to expire on the earlier of 19th August 1998 or the date of the 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 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.

By order of the Board

D.A. Ruffell
Secretary
20th December 1996

Statement on Corporate Governance and Internal Financial Control

CORPORATE GOVERNANCE

In December 1992 The Committee on The Financial Aspects of Corporate Governance ("the Cadbury Committee") published a Code of Best Practice ("the Code"). The Code contains nineteen recommendations as to best practice relating to the constitution of Boards of Directors and their control and reporting functions.

In general, the Directors are firmly in support of good Corporate Governance and the Company complies with the Code except in the following two areas:

Paragraph 3.3 The remuneration committee consists of the Chairman, the Chief Executive and the Non-Executive Director.

Paragraph 4.3 The Company has only one Non-Executive Director and hence is unable to comply with the recommendation that an audit committee should be established with at least three Non-Executive Directors.

INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibilities for the Group's system of internal financial control. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control on the basis of the criteria set out in the Guidance for Directors 'Internal Control and Financial Reporting'. It has considered the major business and financial risks.

As might be expected in a Group of this size, a key control procedure is the day-to-day supervision of the business by the Directors. Other control procedures include the review of regular financial and management information.

As a result of the Directors' review, some areas for improvement were identified and appropriate actions agreed. No weaknesses have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the Guidance for Directors.

On the basis that a system can provide only reasonable but not absolute assurance and that it relates only to the needs of the business at the time, the system of internal financial control as a whole was found to be generally appropriate to the size of the business as at the time of approving the financial statements.

The Auditors have confirmed that, in their opinion: with respect to the Directors' statements on internal financial control above and going concern on page 4 the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Consolidated Profit and Loss Account

(for the year ended 30th September 1996)

	Note	1996		1995	
		£'000	£'000	£'000	£'000
Turnover	2		11,748		12,003
Cost of sales			7,945		8,087
Gross profit			3,803		3,916
Distribution costs		626		589	
Administrative expenses		1,665		1,721	
			2,291		2,310
Operating profit			1,512		1,606
Interest receivable			217		204
Interest payable	4		(1)		(2)
Profit on ordinary activities before taxation	5		1,728		1,808
Taxation on profits from ordinary activities	7		533		621
Profit on ordinary activities after taxation attributable to the members of Titon Holdings Plc	8		1,195		1,187
Dividends	9		551		519
Retained profit for the financial year	18		644		668
Earnings per share	10		10.85p		10.82p

All amounts relate to continuing activities
All recognised gains and losses are included in the profit and loss account
The notes on pages 12 to 20 form part of these financial statements

Consolidated Balance Sheet

(at 30th September 1996)

	Note	1996		1995	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11		3,284		3,557
CURRENT ASSETS					
Stocks	13	1,804		1,832	
Debtors	14	2,405		2,441	
Cash at bank and in hand		4,161		3,059	
		8,370		7,332	
CREDITORS					
Amounts falling due within one year	15	2,460		2,339	
NET CURRENT ASSETS			5,910		4,993
TOTAL ASSETS LESS CURRENT LIABILITIES			9,194		8,550
Provision for liabilities and charges	16		30		30
			9,164		8,520
CAPITAL AND RESERVES					
Called up share capital	17		1,102		1,102
Share premium account	18		803		803
Capital reserve	18		111		111
Profit and loss account	18		7,148		6,504
Equity shareholders' funds			9,164		8,520

These financial statements were approved by the Board on 20th December 1996.

The notes on pages 12 to 20 form part of these financial statements.

Company Balance Sheet

(at 30th September 1996)

	Note	1996		1995	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11		1,561		1,596
Investments	12		202		202
			1,763		1,798
CURRENT ASSETS					
Debtors	14	1,273		1,266	
Cash at bank and in hand		3,950		3,050	
		5,223		4,316	
CREDITORS					
Amounts falling due within one year	15	796		657	
NET CURRENT ASSETS			4,427		3,659
			6,190		5,457
CAPITAL AND RESERVES					
Called up share capital	17		1,102		1,102
Share premium account	18		803		803
Profit and loss account	18		4,285		3,552
Equity shareholders' funds			6,190		5,457

These financial statements were approved by the Board on 20th December 1996.

J.N. Anderson
Director

The notes on pages 12 to 20 form part of these financial statements.

Consolidated Cash Flow Statement

(for the year ended 30th September 1996)

	Note	1996		1995	
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Net cash inflow from operating activities	21		**2,399**		1,823
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		**217**		204	
Interest paid		**(1)**		(2)	
Dividends paid		**(529)**		(505)	
Net cash outflow from returns on investments and servicing of finance			**(313)**		(303)
TAXATION					
UK corporation tax paid			**(605)**		(659)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		**(463)**		(1,379)	
Sale of assets		**12**		43	
Net cash outflow from investing activities			**(451)**		(1,336)
Net cash inflow/(outflow) before financing			**1,030**		(475)
Net cash inflow from financing	22		**–**		58
Increase/(decrease) in cash and cash equivalents	23		**1,030**		(417)

The notes on pages 12 to 20 form part of these financial statements.

Notes

(forming part of the financial statements for the year ended 30th September 1996)

1. ACCOUNTING POLICIES

There have been no changes in accounting policies during the year.

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Titon Holdings Plc and all its subsidiary undertakings made up to 30th September 1996. The acquisition method of accounting is used to consolidate the results of the subsidiaries in the Group financial statements from the date of acquisition.

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 at the following annual rates:

Freehold buildings	–2%	Plant and equipment	–10% to 33⅓%
Improvements to leasehold property	–20%	Motor vehicles	–25%

Stocks

Stocks are valued 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.

Foreign currency

Balances in foreign subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences which arise are taken to the profit and loss account.

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

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that provision is made where it can be reasonably foreseen that such deferred taxation will be payable in the future.

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.

Notes

(forming part of the financial statements for the year ended 30th September 1996)

1. **ACCOUNTING POLICIES** (continued)

Leased assets

Operating leases represent leasing agreements that do not give rights approximating to ownership.

Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund.

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. **EMPLOYEES**

	1996	1995
	£'000	£'000
Staff costs including Executive Directors consist of:		
Wages and salaries	2,899	2,865
Social security costs	271	264
Other pension costs	151	155
	3,321	3,284
The average number of employees during the year was as follows:	Number	Number
Full time	203	205
Part time	4	4

4. **INTEREST PAYABLE**

	£'000	£'000
Bank loans and overdrafts	1	2

5. **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	£'000	£'000
This is arrived at after charging:		
Depreciation	723	712
Research and development	447	474
Hire of other assets under operating leases	153	171
Auditors' remuneration - for audit services	26	26
- non audit services	7	6
Foreign exchange differences	9	12
Loss on disposal of assets	1	2

6. DIRECTORS' EMOLUMENTS

	£'000	£'000
Remuneration for management services	**345**	360
Fees as Director	**4**	4
Pension costs	**39**	35
	388	399

	Basic salary	Fees	Benefits	Total emoluments excluding pension		Pension contributions	
				1996	1995	**1996**	1995
	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Executive:							
J.N. Anderson (Chairman)	82	–	13	**95**	93	**8**	8
P. Farrar (Chief Executive)	82	–	10	**92**	91	**8**	8
R.C.W. Cheek	54	–	6	**60**	60	**11**	7
C.S. Jarvis	42	–	7	**49**	48	**4**	4
A.G. Mellenchip	44	–	5	**49**	48	**8**	6
A.H. Goodman	–	–	–	**–**	20	**–**	2
Non-Executive:							
P.W.E. Fitt	–	4	–	**4**	4	**–**	–
	304	4	41	**349**	364	**39**	35

The chairman is also the highest paid Director.

There are no performance related elements included within the emoluments shown above.

There were no contracts during the year in which a director of the company had a material interest.

As at 30th September 1996 options had been granted under the terms of the Titon Share Option Scheme to the following Directors:

	Number of ordinary shares of 10p each	Option price	Exercise Period
R.C.W. Cheek	10,000	103p	16th January 1999 to 16th January 2006
C.S. Jarvis	10,000	103p	16th January 1999 to 16th January 2006
A.G. Mellenchip	10,000	103p	16th January 1999 to 16th January 2006

All the above options were granted to the Directors on 16th January 1996.

Report of the Remuneration Committee

Policy on Remuneration of Executive Directors

The Company has only one Non-Executive Director and is therefore unable to form a Remuneration Committee without the participation of Executive Directors. The committee comprises the Chairman, the Chief Executive and the Non-Executive Director.

The remuneration policy is one which rewards the Executive Directors on the basis of being competitive, and aligned to salary levels in similar sized quoted companies in the particular sector. This it does by reference to the PE Management Research UK Survey of Salaries and Benefits, and to the Monks Partnership Guide to Board and Senior Management Review.

All the Executive Directors have significant shareholdings, and these have been judged to be sufficient long term incentives to enable the Company to achieve its objectives.

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

Options to purchase ordinary shares are granted to the Directors in recognition of their contribution to the continued success of the Company.

Notes

(forming part of the financial statements for the year ended 30th September 1996)

7. TAXATION ON PROFITS FROM ORDINARY ACTIVITIES	1996	1995
	£'000	£'000
UK corporation tax	572	603
Adjustment in respect of prior years	(39)	18
	533	621

	£'000	£'000
8. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF TITON HOLDINGS PLC		
Dealt with in the financial statements of the Parent Company	1,284	1,277

The Parent Company has taken advantage of the legal exemption under S.230(3) of the Companies Act 1985 from presenting its own profit and loss account.

	1996	1995
	£'000	£'000
9. DIVIDENDS		
Interim dividend paid of 1.6p per share (1995 – 1.5p)	176	166
Final dividend proposed of 3.4p per share (1995 – 3.2p)	375	353
	551	519

10. EARNINGS PER SHARE

Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year of 11,017,200 (1995 – 10,974,942). The fully diluted earnings per share is not shown since there is no material dilution.

11. 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	1,705	90	4,045	536	6,376
Additions	–	–	409	54	463
Disposals	–	–	–	(59)	(59)
At end of year	1,705	90	4,454	531	6,780
Depreciation					
At beginning of year	153	82	2,351	233	2,819
Provided for the year	32	7	569	115	723
Disposals	–	–	–	(46)	(46)
At end of year	185	89	2,920	302	3,496
Net book value					
At 30th September 1996	1,520	1	1,534	229	3,284
At 30th September 1995	1,552	8	1,694	303	3,557

Notes

(forming part of the financial statements for the year ended 30th September 1996)

11. TANGIBLE ASSETS (continued)

Company	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At beginning of year	1,705	87	1,792
Additions	–	21	21
At end of year	1,705	108	1,813
Depreciation			
At beginning of year	153	43	196
Provided for the year	32	24	56
At end of year	185	67	252
Net book value			
At 30th September 1996	1,520	41	1,561
At 30th September 1995	1,552	44	1,596

12. FIXED ASSET INVESTMENTS

	£'000
At beginning and end of year – at cost	202

Investments comprise 100% shareholdings in the following principal subsidiary undertakings, all of which have been included in the consolidation:

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	U.S.A.

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

13. STOCKS

	1996	1995
	£'000	£'000
Raw materials and consumables	**237**	251
Work in progress	**598**	565
Finished goods and goods for resale	**969**	1,016
	1,804	1,832

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

Notes

(forming part of the financial statements for the year ended 30th September 1996)

14. DEBTORS

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Trade debtors	**2,278**	2,240	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,164**	1,106
Other debtors	**8**	68	**5**	65
Prepayments and accrued income	**25**	45	**10**	7
ACT recoverable	**94**	88	**94**	88
	2,405	2,441	**1,273**	1,266

All debtors are recoverable within one year, apart from ACT which is recoverable after more than one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Banks loans and overdrafts	**181**	109	**181**	61
Trade creditors	**907**	803	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**41**	41
Other creditors	**21**	19	**–**	–
Creditors for taxation and social security	**312**	299	**14**	8
Corporation tax	**404**	479	**4**	22
ACT payable	**138**	129	**138**	129
Dividend payable	**375**	353	**375**	353
Accruals	**122**	148	**43**	43
	2,460	2,339	**796**	657

The company has guaranteed bank borrowings of UK subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £nil (1995 – £48,000).

16. PROVISION FOR LIABILITIES AND CHARGES

	1996		1995	
	Unprovided	**Provided in accounts**	Unprovided	Provided in accounts
Group	**£'000**	**£'000**	£'000	£'000
Accelerated capital allowances	**101**	**30**	110	30
Company				
Accelerated capital allowances	**101**	**–**	96	–

Notes

(forming part of the financial statements for the year ended 30th September 1996)

17. SHARE CAPITAL

	1996	1995
	£'000	£'000
Authorised		
13,600,000 ordinary shares of 10p each	**1,360**	1,360
Allotted, called up and fully paid		
11,017,200 ordinary shares of 10p each	**1,102**	1,102

Share Option Schemes

Options have been granted over the following number of ordinary shares which were outstanding at 30th September 1996.

Date granted	Number of shares	Subscription price	Exercisable between
26th January 1988	9,000	80p	26th January 1992 and 26th January 1998
30th May 1989	20,650	92p	30th May 1996 and 30th May 1999
2nd January 1991	45,000	45p	2nd January 1996 and 2nd January 2001
10th January 1992	20,750	88p	10th January 1996 and 10th January 2002
16th June 1992	13,000	170p	16th June 1996 and 16th June 2002
23rd December 1994	37,600	161p	23rd December 1997 and 23rd December 2004
13th February 1995	25,000	157p	13th February 1998 and 13th February 2005
16th January 1996	107,450	103p	16th January 1999 and 16th January 2006
	278,450		

18. RESERVES

	Share premium £'000	Capital reserve £'000	Profit and loss account £'000
Group			
At 1st October 1995	803	111	6,504
Profit retained for the year	–	–	644
At 30th September 1996	803	111	7,148
Company			
At 1st October 1995	803	–	3,552
Profit retained for the year	–	–	733
At 30th September 1996	803	–	4,285

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**1,195**	1,187	**1,284**	1,277
Dividends	**551**	519	**551**	519
	644	668	**733**	758
Shares issued under the Company's share option scheme	**–**	58	**–**	58
Net addition to shareholder's funds	**644**	726	**733**	816
Opening shareholders' funds	**8,520**	7,794	**5,457**	4,641
Net assets at 30th September 1996	**9,164**	8,520	**6,190**	5,457

20. COMMITMENTS

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Capital commitments				
Contracted but not provided	**141**	181	**55**	17

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:

	1996	1995
	£'000	£'000
Operating leases which expire:		
After five years	**153**	153

All the leases of land and buildings are subject to rent reviews.

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	£'000	£'000
Operating profit	**1,512**	1,606
Depreciation charge	**723**	712
Loss on sale of fixed assets	**1**	2
Decrease/(increase) in stock	**28**	(191)
Decrease in debtors	**42**	406
Increase/(decrease) in creditors	**93**	(712)
	2,399	1,823

Notes

(forming part of the financial statements for the year ended 30th September 1996)

22. ANALYSIS OF CHANGES IN FINANCING

	Share capital including premium 1996	1995
	£'000	£'000
Balance at 1st October 1995	**1,905**	1,847
Cash inflow from shares issued	**–**	58
Balance at 30th September 1996	**1,905**	1,905

23. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Cash and short term deposits £'000	Overdraft and short term loans £'000	Net £'000
Movements in 1995			
Balance at 1st October 1995	3,433	(66)	3,367
Net cash outflow	(374)	(43)	(417)
Balance at 30th September 1996	3,059	(109)	2,950
Movements in 1996			
Balance at 1st October 1995	3,059	(109)	2,950
Net cash inflow/(outflow)	1,102	(72)	1,030
Balance at 30th September 1996	4,161	(181)	3,980

Report of the Auditors

TO THE SHAREHOLDERS OF TITON HOLDINGS PLC

We have audited the financial statements on pages 8 to 20 which have been prepared under the accounting policies set out on pages 12 and 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and Group as at 30th September 1996 and the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London

20th December 1996

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Titon Holdings Plc will be held at International House, Peartree Road, Stanway, Colchester, Essex CO3 5JX on 20th February 1997 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To consider the financial statements and the reports of the Directors and of the Auditors for the year ended 30th September 1996.
2. To declare a final dividend of 3.4p per share on the ordinary shares of the Company.
3. To re-elect Mr P. Farrar as a Director of the Company.
4. To re-elect Mr R.C.W. Cheek as a Director of the Company.
5. To re-appoint BDO Stoy Hayward as Auditors of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which Resolution 6 will be proposed as an Ordinary Resolution and Resolutions 7 and 8 will be proposed as Special Resolutions.

6. 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 19th May 1998 whichever shall occur earlier; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £258,280 (representing approximately 23.4% of the existing issued share capital of the Company as at 20th December 1996).

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

(i) the said power shall allow and enable the Directors to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power 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 meaning herein.

7. THAT:

(a) conditionally upon the passing of Resolution 6 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 6 above as if sub-section (1) of Section 89 of the said Act did not apply to any 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 the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings 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 £55,000 (representing approximately 5% of the existing issued share capital of the Company as at 20th December 1996;

(ii) the power hereby granted shall expire on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 19th May 1998 whichever shall occur earlier;

(b) (i) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of the said power which would or might require securities to be allocated after 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.

8. 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 the London Stock Exchange of up to an aggregate of 1,100,000 ordinary shares of 10 pence each in its capital at a price being not more that 5% above the average of the market values of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the 10 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 on the date of the next Annual General Meeting of the Company following the passing of this Resolution or on 19th August 1998, whichever shall occur earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

By order of the Board

Registered Office:

International House,
Peartree Road,
Stanway,
Colchester,
Essex CO3 5JX

D.A. Ruffell
Secretary
20th January 1997

Note:

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him or her. The proxy need not be a member of the Company. Instruments appointing proxies must be lodged with the Company's registrars not less than forty eight hours before the time fixed for the meeting.

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

Directors and Advisers

DIRECTORS

Executive

J.N. Anderson (Chairman)
P. Farrar (Chief Executive)
R.C.W. Cheek
C.S. Jarvis
A.G. Mellenchip

Non-Executive

P.W.E. Fitt - Appointed 1988 - is a Fellow member of the Institute of Chartered Accountants in England and Wales and is engaged in private practice.

SECRETARY AND REGISTERED OFFICE

D.A. Ruffell,
International House,
Peartree Road,
Stanway,
Colchester,
Essex CO3 5JX.

COMPANY NUMBER

1604952

AUDITORS

BDO Stoy Hayward,
8 Baker Street,
London W1M 1DA.

BROKERS

Beeson Gregory,
The Registry,
Royal Mint Court,
London EC3N 4EY.

SOLICITORS

Macfarlanes,
10 Norwich Street,
London EC4A 1BD.

REGISTRARS AND TRANSFER OFFICE

Independent Registrars Group Limited,
Bourne House,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU.