

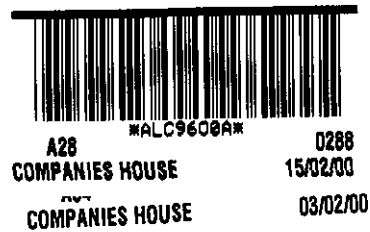
Annual Report and Financial Statements

(for the year ended 30th September 1999)

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Chairman's Statement

BOARD CHANGES

As stated in my interim report, it was with great sadness that I recorded the passing of our Chief Executive, Peter Farrar. Having been involved in developing many of the policies that have contributed to the success of Titon, the key role he played through the years was an inspiration to us all, and he will be sadly missed. I will carry on the role of Chairman and Chief Executive until further notice, supported by a restructured and enlarged management team offering a blend of mature experience and fresh ideas.

I am pleased to announce the appointment of Peter Fitt as our new Vice Chairman. Peter, an Independent Non-Executive Director for almost 12 years, has supported, and provided guidance during our recent changes, and will continue to offer Titon the benefit of his great experience gained in local industries.

To emphasise the importance of sales to our Group, I am pleased to announce the appointment of Chris Martin to the Board of Titon Holdings Plc as Sales Director. Chris has been employed with Titon for 16 years, and his enthusiasm and experience will be a welcome addition for the future.

FINANCIAL RESULTS

I am pleased to report a further improvement in our results for the year ended 30th September 1999. Pre-tax profits of £2.025 million were up by 14.3% (1998: £1.772 million), on turnover up 8.9% at £14.461 million (1998: £13.285 million). Basic earnings per share were 12.51p, an increase of 14.5% (1998: 10.93p).

Over the past eleven years, the Group has been involved in legal action in France, where a Belgian based company infringed copyright on several of our product lines. I am pleased to say that this action has come to a successful conclusion during the year, and has resulted in us receiving the sum of £124,000 in costs, damages and interest. This has had a favourable impact on the results for the year.

Capital expenditure for the year was up, at £0.75 million (1998: £0.47 million), and will rise further this year as we increase our production capacity with a further factory extension and equipment. Net cash balances at the year end were down by £1.49 million at £3.67 million (1998: £5.16 million), following payment of the special dividend of £1.54 million.

The Directors are proposing a final dividend of 4.3p per ordinary share (1998: 3.6p plus the special dividend of 14.0p). When added to the interim dividend, this makes the total dividend for the year 20.4% higher at 6.5p (1998: 5.4p excluding the special dividend).

The dividend will be paid on 24th February 2000 to shareholders on the Register on 21st January 2000. The ex-dividend date will be 17th January 2000.

SALES COMMENTARY

Group sales this year have seen the benefit of an improved home market, showing a 5.5% growth in Titon product sales and a 16.9% increase in products bought in from other manufacturers. Sales of ventilation products remained strong in a very competitive market place, and products in our extensive range of window and door hardware continued to show satisfactory improvement. Our



Chairman's Statement

recent re-organisation has enabled us to strengthen our commitment of service to the customer, and improved marketing aids at our disposal have provided the sales team with the resources necessary to achieve continued success.

Our export sales for the year of £0.985 million (1998: £1.095 million) reflects the need for change in our marketing approach. It is expected that, with our current restructuring and with greater emphasis on this aspect of our business, we will see export sales start to improve.

MANUFACTURING

We continue to support our Company growth with further investment in our manufacturing facilities. Currently under construction, and due to be commissioned during March 2000, is a further extension to our main factory at Haverhill. Covering 1,500 square metres, this development will enable Titon to rationalise and to replace two of our smaller rented units. As well as improving operating efficiency, this addition will also provide increased production capability to support rising sales within the Group.

We have also continued to invest in technical expertise, with machines designed by our own engineers playing a significant part in our efforts to reduce unit costs on certain product lines.

PERSONNEL

Due to our improving sales, we have seen a slight increase in the number of employees. Although the extra staff are mainly part time, we have also invested in full time staff in areas where we considered further strengthening was necessary.

In March 1999, three new appointments were made to the Board of our main operating subsidiary, Titon Hardware Limited. Julian Wiseman as Commercial Director, Tyson Anderson as Marketing Director, and Tony Gearey as Project Director. These new appointments will strengthen our management team for the future, to assist the growth and continued success of the Company.

Once more the Board wishes to thank all employees of Titon for their continued and appreciated efforts throughout the year, and their contribution to the results achieved.

PROSPECTS

With low interest rates, falling unemployment and with the UK economy remaining buoyant, we anticipate that our principal markets of social housing refurbishment and new house building will remain strong in 2000.

Whilst the investment in our Sales and Marketing Division will show benefits over the longer term, the investment in our Manufacturing Division will reduce production costs over the coming year.

The success of Titon has largely come through innovation in products, and I am pleased to announce that we will shortly be introducing our new range of window furniture under the already successful 'Select' name. This range will further strengthen and improve the product options that we offer to our customers, and will continue to support our growth as we seek opportunities in new market places

John Anderson
Chairman and Chief Executive



Report of the Directors

(for the year ended 30th September 1999)

The Directors present their report together with the audited financial statements for the year ended 30th September 1999.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 12 and shows the profit for the year.

The Directors recommend the payment of a final ordinary dividend of 4.3p (1998 - 3.6p) per ordinary share. This, when taken with the interim dividend of 2.2p (1998 - 1.8p) per ordinary share paid on 1st July 1999, gives a total dividend of 6.5p (1998 - 19.4p including a special dividend of 14.0p) per ordinary share for the year ended 30th September 1999.

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 difficult conditions within the market in which the Company 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.

GOING CONCERN

After making enquiries the Directors have a reasonable expectation that the Company and the Group have 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 £491,000 during the year (1998 - £454,000).

DONATIONS

During the year the Group made charitable donations of £2,000 (1998 - £2,000).

POLICY ON THE PAYMENT OF CREDITORS

The majority of suppliers to the Group are of a long standing nature and mutually acceptable payment terms which have been established over the relationship period, will continue during the next year. 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 the 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 53 days average purchases.



Report of the Directors

(for the year ended 30th September 1999)

DIRECTORS' SHAREHOLDINGS

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

	30th September 1999		30th September 1998	
	Ordinary shares of 10p each Beneficial interest	Non-beneficial interest	Ordinary shares of 10p each Beneficial interest	Non-beneficial interest
J N Anderson	2,237,802	100,000	2,237,802	100,000
P Farrar (deceased 6th March 1999)			1,651,559	475,000
R Brighton	20,000	-	20,000	-
R C W Cheek	113,984	-	113,984	-
C S Jarvis	165,000	-	165,000	-
C J Martin (appointed 10th August 1999)	-	-	-	-
D A Ruffell	31,500	-	31,500	-
P W E Fitt	-	187,500	-	375,000

Mr C J Martin had no interest in the shares of the Company at his date of appointment.

Details of Directors' share options are given in the Report on Remuneration on pages 7 and 8.

There were no changes in Directors' shareholdings between 30th September 1999 and 23rd December 1999.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will therefore require modification or replacement to accommodate the year 2000 and beyond in order to avoid widespread commercial disruption. The operation of our business depends not only on our own systems, but also to some degree on those of our suppliers and customers. This could expose us to a further risk in the event that there is a failure by other parties to effectively deal with their own systems. The Directors believe that the Group has achieved an acceptable state of readiness but there can be no certainty that disruption to the business will be avoided.

All costs associated with implementing the Group's Year 2000 plans have now been incurred. The new Hardware and Software, purchased for £90,000 in 1997, has been capitalised and is being written off over a three year period in accordance with the Group's normal accounting practice.

DIRECTORS' RESPONSIBILITIES

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

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

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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Report of the Directors

(for the year ended 30th September 1999)

SUBSTANTIAL SHAREHOLDERS

As at 23rd December 1999, 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	%
Rights and Issues Investment Trust plc	1,411,162	12.8
Edinburgh Fund Managers plc	917,000	8.3
Prudential Assurance Company Limited	867,000	7.9

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Company's registered office on 17th February 2000 commencing at 10.00 a.m.

There are three items of special business to be dealt with at the Annual General Meeting. These are set out in Resolutions 7, 8 and 9 in the Notice of the Meeting on page 27, and relate to the following:

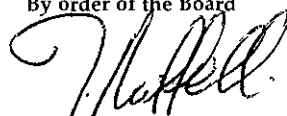
Resolution 7, which will be proposed as an Ordinary Resolution, will renew the Directors' authority to allot relevant securities up to an aggregate nominal amount of £258,280 being equivalent to approximately 23.4% of the current issued share capital. This authority will expire on the date of the next Annual General Meeting of the Company or on 16th May 2001, 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 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 16th May 2001, 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 9, 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 16th August 2001 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 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

Date: 23rd December 1999



Report on Remuneration

COMPOSITION

The Board has decided that due to the size of the Group there is presently only a requirement for one Non-Executive Director. The Company is therefore unable to form a Remuneration Committee without the participation of Executive Directors. The committee currently comprises of the Group Chairman and Chief Executive, along with the Non-Executive Director, and is chaired by the Non-Executive Director.

DIRECTORS' EMOLUMENTS

Full details of individual Directors' emoluments, pension contributions and share options are as follows:

	Basic salary and fees £'000	Benefits £'000	Total emoluments		Pension contributions	
			1999 £'000	1998 £'000	1999 £'000	1998 £'000
Executive:						
J N Anderson	96	14	110	99	9	8
P Farrar (deceased 6th March 1999)	43	5	48	97	4	8
R Brighton	53	9	62	57	5	5
R C W Cheek	62	7	69	66	7	12
C S Jarvis	49	6	55	55	5	5
C J Martin (appointed 10th August 1999)	7	1	8	-	-	-
D A Ruffell	51	8	59	54	5	5
Non-executive:						
P W E Fitt	8	-	8	5	-	-
	<u>369</u>	<u>50</u>	<u>419</u>	<u>433</u>	<u>35</u>	<u>43</u>

J N Anderson, the Chairman and Chief Executive, is the highest paid Director.

As at 30th September 1999 share options had been granted to the following Directors:

	Number of ordinary shares of 10p each	Option price	Date granted	Exercise period
R Brighton	14,000	103.0p	16th January 1996	16th January 1999 to 16th January 2006
	17,000	86.5p	11th March 1998	11th March 2001 to 11th March 2008
R C W Cheek	10,000	103.0p	16th January 1996	16th January 1999 to 16th January 2006
C S Jarvis	10,000	103.0p	16th January 1996	16th January 1999 to 16th January 2006
	17,000	86.5p	11th March 1998	11th March 2001 to 11th March 2008
C J Martin	25,000	45.0p	2nd January 1991	2nd January 1995 to 2nd January 2001
	7,350	103.0p	16th January 1996	16th January 1999 to 16th January 2006
	1,250	89.0p	2nd June 1999	2nd June 2002 to 2nd June 2009
D A Ruffell	14,000	103.0p	16th January 1996	16th January 1999 to 16th January 2006
	17,000	86.5p	11th March 1998	11th March 2001 to 11th March 2008

No options were exercised or lapsed during the year.

At 30th September 1999 the market price of the Company's shares was 96p, and the range during the year was 61p to 100p



Report on Remuneration

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The objective of the Remuneration Committee is to offer competitive remuneration packages which are designed to reward, retain and motivate the Executive Directors.

Salary levels are aligned to those in similar sized companies in the sector 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.

The salary of the Chairman and Chief Executive is determined by the Non-Executive Director after consultation with the Company's brokers.

There are no specific performance related elements included in remuneration but basic salaries are renewed annually to take into account the Directors' performance along with responsibility, skill and market forces.

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, at the market price on date of the grant, in recognition of their contribution to the continued success of the Company.

ROTATION OF DIRECTORS AND SERVICE CONTRACTS

The Directors who retire by rotation are Mr J N Anderson, Mr R C W Cheek and Mr C J Martin who, being eligible offer themselves for re-election.

Mr J N Anderson, aged 56, founded the company in 1972, since when he has been the Chairman. Following the death of the Chief Executive in March 1999, he has taken the role of Chairman and Chief Executive, and his service contract expires on 31st July 2000.

Mr R C W Cheek, aged 62, has been with the Company for 22 years, and up until 30 September 1999 was the Managing Director of the Sales and Marketing Division. He is presently working part time as a Consultant Executive Director on a service contract expiring on 31st March 2000.

Mr C J Martin, aged 44, joined the Company in 1983 as an Area Sales Manager, was promoted to National Sales Manager in 1988 and to Sales Director of our main operating subsidiary, Titon Hardware Limited, in 1997. He became a main board Director in August 1999 and has a service contract which expires on 31st July 2000.

Executive Directors' service contracts are for a maximum period of one year.

NON-EXECUTIVE DIRECTOR

The remuneration for the Company's Independent Non-Executive Director is set by the board, and consists of fees for his services in connection with Board and Board Committee meetings and, where relevant, for additional services such as chairing Board Committees. He is not eligible for pension scheme membership and does not participate in any of the Company's share option schemes. The Non-Executive Director has a two year contract which expires on 30th November 2001 and which is not automatically renewed.



Statement on Corporate Governance and Internal Financial Control

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 25th June 1998 except in the following areas:

- i) As referred to in the Chairman's Statement, the death of our Chief Executive during the year has led to the Chairman taking over the Chief Executive's duties in a combined role. Consequently, from 6th March 1999, Paragraph A.2.1 has not been complied with.
- ii) The Board has decided that due to the size of the Group there is presently only a requirement for one Non-Executive Director. The Company is therefore unable to comply with Paragraphs A.3.1, A.5.1, B.2.1, B.2.2 and D.3.1.
- iii) There are no performance related elements within Directors' remuneration and therefore the Company does not comply with Paragraph B.1.4.

As permitted by the London Stock Exchange the Board has decided to restrict its reporting on internal controls to matters of internal financial control only.

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

DIRECTORS

The Board consists of the Chairman and Chief Executive, one Independent Non-Executive Director and five other Executive Directors. The Non-Executive Director is considered by the Board to be free from any business or other relationship which could materially interfere with the exercise of his independent judgement.

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 capital commitments, commencing or settling major litigation, and appointments to 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.

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.



Statement on Corporate Governance and Internal Financial Control

DIRECTORS (CONTINUED)

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by the shareholders at the next annual general meeting. The Articles 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 this means that each Director retires at least every three years.

Full details of Directors' remuneration and a statement of the Company's remuneration policy is set out in the Report on Remuneration on pages 7 and 8.

AUDIT AND INTERNAL CONTROL

The respective responsibilities of the Directors and the auditors in connection with the accounts are explained on pages 5 and 11 and the statement of the Directors on going concern appears on page 4.

The Directors are responsible for the Company's system of internal financial control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the Directors have established to provide effective financial controls are as follows:

Financial Reporting: Detailed monthly management reporting information is prepared and circulated to Directors for discussion at both main Board and subsidiary Board meetings. The results for the periods under review are compared to historical performance and to the annual budget.

Financial Control: Detailed Financial Control Procedures exist covering the areas where the Company may be exposed to financial risk. These procedures set out the working methods necessary to minimise this financial risk, along with the various limits of authority for each Director and Manager.

Capital Investment: The Company has clearly defined guidelines for capital expenditure which include the annual budget submission and a documented procedure for capital expenditure authorisation.

An audit committee has been established which comprises the Independent Non-Executive Director and the Finance Director, and which is chaired by the Non-Executive Director. The Committee has reviewed the effectiveness of the Company's system of internal financial control on behalf of the board and is 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 is reviewed annually.



Report of the Auditors

TO THE SHAREHOLDERS OF TITON HOLDINGS PLC

We have audited the financial statements on pages 12 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 16 and 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report, including as described on page 5 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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. 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 Company is not disclosed.

We review whether the statement on pages 9 and 10 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT 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 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 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 the Group as at 30th September 1999 and of the profit for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London
Date: 23rd December 1999



Consolidated Profit and Loss Account

(for the year ended 30th September 1999)

	Note	1999		1998	
		£'000	£'000	£'000	£'000
Turnover	2		14,461		13,285
Cost of sales			10,287		9,382
Gross profit			4,174		3,903
Distribution costs		587		665	
Administrative expenses		1,822		1,815	
			2,409		2,480
Operating profit			1,765		1,423
Interest receivable			260		349
Profit on ordinary activities before taxation			2,025		1,772
Taxation on profit on ordinary activities	5		647		568
Profit on ordinary activities after taxation attributable to the members of Titon Holdings plc			1,378		1,204
Dividends	7		716		2,137
Retained profit/(loss) for the financial year	16		662		(933)
Basic earnings per share	8		12.51p		10.93p
Diluted earnings per share	8		12.48p		10.90p

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 16 to 26 form part of these financial statements



Consolidated Balance Sheet

(at 30th September 1999)

	Note	<u>1999</u>		<u>1998</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		3,138		3,089
CURRENT ASSETS					
Stocks	11	2,046		2,009	
Debtors	12	3,146		3,297	
Cash at bank and in hand		<u>3,816</u>		<u>5,271</u>	
			9,008		10,577
CREDITORS					
Amounts falling due within one year	13		<u>2,774</u>		<u>4,956</u>
NET CURRENT ASSETS			<u>6,234</u>		<u>5,621</u>
			<u>9,372</u>		<u>8,710</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,102		1,102
Share premium account	16		803		803
Profit and loss account	16		<u>7,467</u>		<u>6,805</u>
Equity shareholders' funds			<u>9,372</u>		<u>8,710</u>

These financial statements were approved by the Board on 23rd December 1999.

The notes on pages 16 to 26 form part of these financial statements




Company Balance Sheet

(at 30th September 1999)

	Note	1999		1998	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		1,553		1,546
Investments	10		202		202
			<u>1,755</u>		<u>1,748</u>
CURRENT ASSETS					
Debtors	12	1,957		1,906	
Cash at bank and in hand		3,613		5,100	
		<u>5,570</u>		<u>7,006</u>	
CREDITORS					
Amounts falling due within one year	13	706		2,677	
NET CURRENT ASSETS			<u>4,864</u>		<u>4,329</u>
			<u>6,619</u>		<u>6,077</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,102		1,102
Share premium account	16		803		803
Profit and loss account	16		4,714		4,172
Equity shareholders' funds			<u>6,619</u>		<u>6,077</u>

These financial statements were approved by the Board on 23rd December 1999.


 J.N. Anderson
 Director

The notes on pages 16 to 26 form part of these financial statements



Consolidated Cash Flow Statement

(for the year ended 30th September 1999)

	<u>Note</u>	<u>1999</u>		<u>1998</u>	
		£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		2,190		2,336
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received			260		350
TAXATION					
UK corporation tax			(1,005)		(512)
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		(759)		(507)	
Sale of tangible fixed assets		7		36	
			(752)		(471)
EQUITY DIVIDENDS PAID			(2,181)		(584)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES			(1,488)		1,119
MANAGEMENT OF LIQUID RESOURCES					
Sale/(purchase) of treasury deposits			1,487		(1,100)
(DECREASE)/INCREASE IN CASH	21		(1)		19

The notes on pages 16 to 26 form part of these financial statements



Notes

(forming part of the financial statements for the year ended 30th September 1999)

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. In preparing these financial statements the Group has adopted the following Financial Reporting Standards for the first time:

FRS 10 - Goodwill and Intangible Assets

FRS 11 - Impairment of Fixed Assets and Goodwill

FRS 12 - Provisions, Contingent Liabilities and Contingent Assets

FRS 13 - Derivatives and Other Financial Instruments: Disclosure

FRS 14 - Earnings Per Share

The adoption of these standards has had no impact on the results of the Group, although adopting FRS 13 has given rise to additional disclosures and FRS 14 has led to the restatement of prior year earnings per share figures.

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 1999. The acquisition method of accounting is used to consolidate the results of the subsidiaries in the Group financial statements from the date of acquisition.

Goodwill

Prior to the adoption of FRS 10 all negative goodwill was credited to reserves as a matter of accounting policy. Such goodwill remains in reserves and will be credited in the profit and loss account on the subsequent disposal of the business to which it relates.

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 rates:

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



Notes

(forming part of the financial statements for the year ended 30th September 1999)

3 DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Staff costs, including executive Directors, consist of:		
Wages and salaries	3,579	3,256
Social security costs	323	290
Other pension costs	177	183
	<u>4,079</u>	<u>3,729</u>
The average number of employees during the year was as follows:	Number	Number
Manufacturing	176	161
Sales, marketing and administration	<u>52</u>	<u>47</u>

Details of Directors' emoluments, pension contributions and interests in share options are given in the Report on Remuneration set out on pages 7 and 8.

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
This is arrived at after charging/(crediting):		
Depreciation	710	674
Research and development	491	454
Hire of other assets under operating leases	153	153
Auditors' remuneration - for audit services [including £9,000 in respect of the Company (1998 - £5,000)]	33	27
- non audit services	10	7
Foreign exchange differences	(3)	6
Profit on disposal of fixed assets	(7)	(35)
Legal and professional - proceeds of claim including costs, interest and damages received	<u>(124)</u>	<u>-</u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

UK corporation tax	641	553
Adjustment in respect of prior years	6	15
	<u>647</u>	<u>568</u>

6 PROFIT FOR THE YEAR OF THE PARENT COMPANY TITON HOLDINGS PLC

Profit after taxation and before dividends dealt with in the financial statements of the parent Company	<u>1,258</u>	<u>1,323</u>
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The parent Company has taken advantage of the exemption under S230(3) of the Companies Act 1985 from presenting its own profit and loss account.



Notes

(forming part of the financial statements for the year ended 30th September 1999)

1 ACCOUNTING POLICIES (CONTINUED)

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.

Foreign currency

The profit and loss accounts 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 is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that an asset or liability will crystallise.

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.

Their 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.



Notes

(forming part of the financial statements for the year ended 30th September 1999)

9 TANGIBLE ASSETS (CONTINUED)

Company	Freehold land and buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At beginning of year	1,726	103	1,829
Additions	67	-	67
At end of year	<u>1,793</u>	<u>103</u>	<u>1896</u>
Depreciation			
At beginning of year	249	34	283
Provided for the year	34	26	60
At end of year	<u>283</u>	<u>60</u>	<u>343</u>
Net book value			
At 30th September 1999	<u>1,510</u>	<u>43</u>	<u>1,553</u>
At 30th September 1998	<u>1,477</u>	<u>69</u>	<u>1,546</u>

10 FIXED ASSET INVESTMENTS

	£'000
At beginning and end of year - at cost	<u>202</u>

Investments comprise 100% shareholdings, of the ordinary share capital, 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	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.



Notes

(forming part of the financial statements for the year ended 30th September 1999)

7 DIVIDENDS

	1999	1998
	£'000	£'000
Interim dividend of 2.2p per share (1998 - 1.8p)	242	198
Final dividend proposed of 4.3p per share (1998 - 3.6p)	474	397
Final special dividend of 0p per share (1998 - 14.0p)	-	1,542
	<u>716</u>	<u>2,137</u>

8 EARNINGS PER SHARE

Earnings per share has been calculated in accordance with FRS14. Prior year figures have been restated to accord with current year's presentation. Basic earnings per share has 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 (1998 - 11,017,200).

The diluted earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares and dilutive potential ordinary shares during the year of 11,041,040 (1998 - 11,043,548). All dilutive ordinary shares relate to share options.

9 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	1,726	90	5,200	585	7,601
Additions	67	-	593	99	759
Disposals	-	-	(114)	(21)	(135)
At end of year	<u>1,793</u>	<u>90</u>	<u>5,679</u>	<u>663</u>	<u>8,225</u>
Depreciation					
At beginning of year	249	90	3,922	251	4,512
Provided for the year	34	-	536	140	710
Disposals	-	-	(114)	(21)	(135)
At end of year	<u>283</u>	<u>90</u>	<u>4,344</u>	<u>370</u>	<u>5,087</u>
Net book value					
At 30th September 1999	<u>1,510</u>	<u>-</u>	<u>1,335</u>	<u>293</u>	<u>3,138</u>
At 30th September 1998	<u>1,477</u>	<u>-</u>	<u>1,278</u>	<u>334</u>	<u>3,089</u>



Notes

(forming part of the financial statements for the year ended 30th September 1999)

14 PROVISION FOR LIABILITIES AND CHARGES

	1999		1998	
	Unprovided £'000	Provided £'000	Unprovided £'000	Provided £'000
Group				
Accelerated capital allowances	<u>88</u>	<u>-</u>	<u>92</u>	<u>-</u>
Company				
Accelerated capital allowances	<u>88</u>	<u>-</u>	<u>92</u>	<u>-</u>

15 SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised 13,600,000 ordinary shares of 10p each	<u>1,360</u>	<u>1,360</u>
Allotted, called up and fully paid 11,017,200 ordinary shares of 10p each	<u>1,102</u>	<u>1,102</u>

Share option schemes

Options have been granted over the following number of ordinary shares which were outstanding at 30th September 1999:

Date granted	Number of shares	Subscription price	Exercisable between
2nd January 1991	45,000	45.0p	2nd January 1995 and 2nd January 2001
10th January 1992	20,750	88.0p	10th January 1995 and 10th January 2002
16th June 1992	13,000	170.0p	16th June 1995 and 16th June 2002
23rd December 1994	34,450	161.0p	23rd December 1997 and 23rd December 2004
16th January 1996	89,300	103.0p	16th January 1999 and 16th January 2006
24th December 1996	35,200	82.0p	24th December 1999 and 24th December 2006
11th March 1998	117,800	86.5p	11th March 2001 and 11th March 2008
16th December 1998	28,900	89.5p	16th December 2001 and 16th December 2008
2nd June 1999	22,850	89.0p	2nd June 2002 and 2nd June 2009
	<u>407,250</u>		



Notes

(forming part of the financial statements for the year ended 30th September 1999)

11 STOCKS

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Raw materials and consumables	221	219
Work in progress	595	584
Finished goods and goods for resale	1,230	1,206
	<u>2,046</u>	<u>2,009</u>

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

12 DEBTORS

	Group		Company	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£'000	£'000	£'000	£'000
Trade debtors	2,987	2,726	-	-
Amounts owed by subsidiary undertakings	-	-	1,922	1,404
Other debtors	47	35	14	17
Prepayments and accrued income	45	51	-	-
ACT recoverable	67	485	21	485
	<u>3,146</u>	<u>3,297</u>	<u>1,957</u>	<u>1,906</u>

All debtors are recoverable within one year.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	147	114	147	114
Trade creditors	1,286	1,348	2	-
Amounts owed to subsidiary undertakings	-	-	15	39
Other creditors	43	38	-	-
Creditors for taxation and social security	459	411	12	11
Corporation tax	163	407	7	-
ACT payable	-	535	-	535
Dividend payable	474	1,939	474	1,939
Accruals	202	164	49	39
	<u>2,774</u>	<u>4,956</u>	<u>706</u>	<u>2,677</u>



Notes

(forming part of the financial statements for the year ended 30th September 1999)

16 RESERVES

	Share premium £'000	Profit and loss account £'000
Group		
At 1st October 1998	803	6,805
Profit retained for the year	-	662
At 30th September 1999	<u>803</u>	<u>7,467</u>
Company		
At 1st October 1998	803	4,172
Profit retained for the year	-	542
At 30th September 1999	<u>803</u>	<u>4,714</u>

In accordance with the requirements of FRS10 negative goodwill of £111,000, previously shown as a capital reserve, has been added to the profit and loss account reserve balance. This represents the cumulative amount of goodwill resulting from acquisitions in previous years which has been eliminated against Group reserves.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Profit for the financial year	1,378	1,204	1,258	1,323
Dividends	716	2,137	716	2,137
Net addition to/(reduction in) shareholders' funds	662	(933)	542	(814)
Opening shareholders' funds	8,710	9,643	6,077	6,891
Closing shareholders' funds	<u>9,372</u>	<u>8,710</u>	<u>6,619</u>	<u>6,077</u>

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 fixed deposit. The Group uses cash on deposit to reduce any interest rate or liquidity risks which may arise.



Notes

(forming part of the financial statements for the year ended 30th September 1999)

18 FINANCIAL INSTRUMENTS (CONTINUED)

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 for the Group's sterling balance sheet 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 are not considered to be financial assets and financial liabilities respectively.

Financial assets

The Group's financial assets at 30th September 1999 were:

	Total	Floating rate financial assets	Fixed rate financial assets
Currency	£'000	£'000	£'000
Sterling	3,764	151	3,613
US Dollar	28	28	-
Dutch Florin	24	24	-
	<u>3,816</u>	<u>203</u>	<u>3,613</u>

The fixed rate financial assets have a weighted average interest rate of 4.76%, fixed for less than one month. The floating rate financial assets comprise bank current accounts.

Financial liabilities

The Group's financial liabilities at 30th September 1999 comprise solely of a sterling bank overdraft in the sum of £147,000 repayable on demand. This liability is offset against bank deposits for the purposes of interest payment calculation.

The Group has undrawn committed bank borrowing facilities of £500,000. This facility is due for renewal on 30th April 2000.

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



Notes

(forming part of the financial statements for the year ended 30th September 1999)

19 COMMITMENTS

	Group		Company	
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
Capital commitments				
Contracted but not provided	<u>671</u>	<u>204</u>	<u>584</u>	<u>-</u>

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:

	<u>1999</u> £'000	<u>1998</u> £'000
Operating leases which expire:		
Within two to five years	80	-
After five years	<u>73</u>	<u>153</u>

The company had no operating lease commitments at 30th September 1999 (1998: Nil).

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

Operating profit	1,765	1,423
Depreciation	710	674
Increase in stocks	(37)	(54)
Increase in debtors	(267)	(134)
Increase in creditors	26	462
Profit on sale of fixed assets	(7)	(35)
Net cash inflow from operating activities	<u>2,190</u>	<u>2,336</u>

21 RECONCILIATION OF NET CASH (OUTFLOW)/INFLOW TO MOVEMENT IN NET FUNDS

	<u>1999</u> £'000	<u>1998</u> £'000
(Decrease)/Increase in cash in the year	(1)	19
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<u>(1,487)</u>	<u>1,100</u>
Change in net funds resulting from cashflows and movement in net funds in the year	(1,488)	1,119
Opening net funds	<u>5,157</u>	<u>4,038</u>
Closing net funds	<u>3,669</u>	<u>5,157</u>



Notes

(forming part of the financial statements for the year ended 30th September 1999)

22 ANALYSIS OF NET FUNDS

	At 1st October 1998 £'000	Cashflow £'000	At 30th September 1999 £'000
Cash at bank and in hand	5,271	(1,455)	3,816
Treasury deposits shown as liquid resources	(5,100)	1,487	(3,613)
	<u>171</u>	<u>32</u>	<u>203</u>
Bank overdrafts	(114)	(33)	(147)
Cash	57	(1)	56
Treasury deposits	5,100	(1,487)	3,613
Total	<u>5,157</u>	<u>(1,488)</u>	<u>3,669</u>

23 PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 3).



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 17th February 2000 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 30th September 1999.
2. To declare a final dividend of 4.3p per share on the ordinary shares of the Company.
3. To re-elect Mr J.N. Anderson as a Director of the Company.
4. To re-elect Mr R.C.W. Cheek as a Director of the Company.
5. To re-elect Mr C.J. Martin as a Director of the Company.
6. 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 7 will be proposed as an Ordinary Resolution 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 with 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 16th May 2001 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 23rd December 1999).
- (b) For the purpose of the 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.

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



Notice of Meeting

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 23rd December 1999).
- (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 16th May 2001 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.

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 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 than 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 16th August 2001, 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). Options to subscribe for 407,250 Ordinary Shares of 10 pence each were outstanding as at 23rd December 1999, representing approximately 3.7% of the issued share capital at that time, and approximately 4.1% of the likely future share capital if the full authority to buy back shares is used.

By order of the Board

D.A Ruffell
Secretary
17th January 2000

Registered Office
International House
Peartree Road
Stanway
Colchester
Essex CO3 5JX

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.

