Titon Holdings Plc

2019 Annual Report and Financial Statements

Overleaf: Pear Tree House, London. Specifier: Edgley Design. Titon Products: HRV10 *Q Plus* Units, Trimbox NO2 Filter®

Annual Report and Financial Statements

for the year ended 30 September 2019

Contents

Chairman's Statement

As announced in early 2019, a slow-down in trading coupled with changing product preferences towards mechanical ventilation units in South Korea has resulted in a reduction in the Group's underlying profit before tax of 22%. Our UK, European and US operations have, however, traded satisfactorily and the total dividend for the year has been maintained. At the same time, our balance sheet has continued to strengthen as net cash increased significantly to £4.6 million.

Profit and loss

As noted below, all 2018 amounts, where relevant, have been restated. In the year ended 30 September 2019, the Group's net revenue (which excludes inter-segment activity) reduced by 9% to £27.2 million (2018: £29.8 million). On a constant currency basis, there was no material change to the 2019 net revenue (2018: an increase of 8%).

The Group's gross margin increased from 28.9% to 30.2% as a result of changes in the geographical mix of sales. Underlying operating profit[1] fell 10.2% to £1.8 million (2018: £2.0 million) and the Group realised an underlying operating profit margin[1] of 6.7% (2018: 6.8%).

Net interest contributed £12,000 (2018: £13,000) while the share of profits from the Group's South Korean associate fell from £741,000 to £329,000 resulting in underlying profit before tax[1] of £2.15 million (2018: £2.77 million). On a constant currency basis there was no material change to the 2019 or the 2018 profit before tax.

Underlying EBITDA[1] was 3.4% lower at £2.58 million (2018: £2.67 million) and underlying earnings per share[1] for the year was 14.5 pence (2018:18.2 pence). The underlying effective rate of taxation[1] of the Group fell to 10.2% (2018: 15.5%).

The Directors are proposing a final dividend of 3.0 pence per share (2018: 3.0 pence). When added to the interim dividend of 1.75 pence, paid on 21 June 2019 (2018: 1.75 pence), this represents a total dividend for the year of 4.75 pence (2018: 4.75 pence). If approved by shareholders at the forthcoming Annual General Meeting on 18 February 2020, the dividend will be payable on 21 February 2020 to shareholders on the register at 17 January 2020. The ex-dividend date is 16 January 2020.

Statements of financial position and cash flows

The Group benefits from a robust and liquid balance sheet. Net assets, including non-controlling interests, rose by £0.59 million to £17.7 million in the year to 30 September 2019, at which point net cash stood at £4.59 million (2018: £3.41 million), which is equivalent to 25.9% of net assets (2018: 20.0%). Inventory levels at the year-end fell by £783,000 on 2018 due to a reduction in stock levels in South Korea. This, along with a reduction in the level of other working capital required in South Korea, has contributed to cash generated from operations increasing to £3.28 million (2018: £1.94 million). Capital expenditure increased slightly to £902,000 (2018: £893,000) and the Group paid dividends to the shareholders of Titon Holdings Plc of £526,000 (2018: £489,000). During the course of the year Titon Korea paid a further dividend to Titon Holdings Plc and non-controlling shareholders, resulting in £480,000 of cash being paid to Titon Holdings Plc and a cash outflow from the Group to Non-Controlling Interests of Titon Korea of £488,000 (2018: £416,000). The overall effect has been a net increase in the Group's cash reserves in the period of £1.17 million (2018: £146,000). Net current assets at 30 September 2019 were £10.1 million (2018: £9.8 million) with a Quick Ratio[2] of 2.1 (2018: 1.6). Underlying ROCE[3] was 14.6% (2018: 15.5%).

Segment analysis

The Directors look initially at geographical areas to evaluate the Group's performance and then consider product splits at the secondary level.

UK and Europe

Overall, revenue from the UK and Europe increased by 1% in fiscal 2019.

Revenue from the Hardware business, comprising sales of our traditional trickle vents plus window and door hardware, was slightly lower in the year as export sales fell by 19% and sales into the PVCu, Timber and Aluminium sectors of the UK market were flat as markets weakened. Sales of Titon branded door and window hardware products continued to show growth of 20% in the fiscal year.

In our Ventilation Systems business, the revenues from mechanical ventilation products increased by 4%, with sales in the UK up 7% despite a slowdown in our key

London and South East markets where delays in projects are being experienced. Mechanical ventilation sales in mainland Europe were slightly down on 2018 as a number of the major European economies slowed and the uncertainty caused by Brexit led to customers' normal purchasing patterns being disrupted.

Titon continues to invest in research and development which, in turn, yields a continuing number of new products for both the Ventilation Systems and Hardware businesses; and this will continue in 2020. A focus on the importance of air quality, both outdoors and indoors, continues to sharpen as the impact of poor-quality air on health is better understood by the medical profession, governments and consumers. For our part, we continue to work with our trade associations to promote ventilation and specifically with Beama (British Electrotechnical & Allied Manufacturers Association), which represents manufacturers of electro-technical products, such as ventilation products, to promote the benefits of good indoor air quality. Beama also continues to sponsor the Healthy Homes and Buildings All Party Parliamentary Group and the Air Pollution All Party Parliamentary Group.

In October 2019 the Ministry of Housing, Communities and Local Government (MHCLG) published "The Future Homes Standard", which includes a consultation on changes to Part L (Conservation of fuel and power) and Part F (Ventilation) of the Building Regulations for new dwellings. Both of these Building Regulations are important to the sale of our ventilation products in the UK. We will be commenting on the proposed changes to both sets of Building Regulations before the closing date in January 2020. MHCLG have indicated that they hope to bring into force the proposed changes by mid/late 2020 although this date will, of course, be subject to the usual parliamentary priorities. Our initial view is that the proposals may alter the mix of ventilation products supplied to the market. We await proposals from MHCLG on the refurbishment sector, non-domestic buildings and over-heating in due course.

The value of UK private and public housebuilding output is forecast to increase in 2019 by 2.3% against calendar 2018 according to Experian's most recent UK Construction forecast, and by a further 2.3% in 2020. At the same time, the expected value of repair, maintenance and improvement (RMI) in the private and public residential sectors is forecast to be down by 1% in 2019 against 2018, although it is then expected to rise by 2.3% in 2020.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products and remains the national market leader with an estimated market share in this core sub-sector in excess of 75%. In February 2019 we issued a trading update in respect of our South Korean business identifying a slowdown in the domestic residential development market and the presence of dust-based air pollution, largely from China. The latter impact increased the relative demand for mechanical ventilation products which, in turn, reduced the demand for natural ventilation products. These factors have resulted in a reduction in revenue to £8.3 million (2018: £11.4 million) whilst the contribution to Group profit before tax declined to £0.82 million (2018: £1.1 million).

The Group's associate company (49% owned), Browntech Sales Co. Limited ('BTS'), which principally distributes Titon Korea's natural ventilation products, was accordingly impacted by the downturn experienced by Titon Korea. The profit recognised in respect of associates (which is all BTS) was 56% lower in 2019 at £329,000 (2018: £741,000). In addition to distributing ventilation products in South Korea, BTS invests in and develops schemes in the domestic residential real estate market. There have been no further changes to the status of BTS's investments in the South Korean residential real estate market since the 2019 Interim Results. Despite the reduction in profits from South Korea that we have experienced this year and taking Titon Korea and BTS together, South Korea remains the largest contributor to the Group's profit before tax at £1.15 million for the year (2018: £1.84 million). We have continued to commit resources to designing new products for the South Korean market and a new natural ventilation product with increased filtration has been designed by our Research &

Chairman's Statement (continued)

Segment analysis (continued)

Development team in the UK and it is now in the process of being tooled up in Korea. The product will be on sale in the second half of fiscal 2020.

United States

Finally, as I noted in the 2019 Interim Results Statement, results from our US business have improved significantly in the period. Sales for the twelve months increased by 51% to £983,000 (2018: £652,000) and, while Titon Inc. made no statutory profits in the full year, it generates a return for our UK manufacturing business and makes a contribution to Group income.

Board

As noted in the Interim Report, we appointed Mr Bernd Ratzke to the Titon Board as an independent Non-executive Director and he has immediately made a contribution to the Board's discussions and to other legal matters impacting the day-to-day activities of the Group. There have been no other changes to the Board during the fiscal year.

Employees

As ever, I offer my sincere thanks to all of the employees of Titon as the success of the Group is down to their hard work and talents. Although the business has not grown this year as we would have liked, this is not down to their contribution which, as usual, has been substantial.

Restatement

As reported in the 2019 Interim Results Statement, we announced in March 2019 that certain costs and revenues associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, in error, not been correctly accounted for in the relevant periods. This related to the incorrect accounting apportionment of costs and revenues between first and second fix installations of products manufactured by our 51% subsidiary, Titon Korea and sold by Browntech Sales Co. Ltd., our 49% owned associate company. The result of this error was a non-cash reduction of total equity attributable to equity holders of Titon by £826,000 from the figure shown in the 2018 Annual Report. In this Statement the total equity and other comparative 2018 numbers have been restated. For the fiscal year to 30 September 2018, revenue has been reduced by £172,000 to £29.8 million and profit before tax has been reduced by £209,000.

Investors

We have now been listed on the AIM market for one year since our move from the Main Market of the London Stock Exchange and I hope that shareholders have benefited from this move.

We have continued to engage the corporate research house Hardman & Co. which regularly writes and distributes investment research on Titon and which we believe has both widened interest in the Group and continues to have a positive impact in the share price over the past four years. Shore Capital, our Nominated Adviser and broker, has initiated research coverage on Titon during the year by publishing a research note on the Group in August 2019 entitled "Improving the air that we breathe", a sentiment we share. Finally, I would like to mention again the Group's dividend reinvestment programme (DRIP) which has operated for a number of years. This represents a straight-forward and cost effective way for shareholders to increase their holdings in Titon should they wish to do so.

Outlook

Despite the previously reported challenges in the Korean market, the Group remained profitable and cash generative. The dividend for the year was maintained at the same level as 2018, whilst our net cash reserves also increased significantly, further strengthening the Group's balance sheet.

The UK economy continues to grow, albeit at a slower rate than forecast at this time last year. How much of this slower growth is down to Brexit is difficult to say but sentiment amongst many consumers and businesses in the UK (and within the wider EU) is that uncertainty about Brexit has hit confidence and impacts adversely

on trading. At Titon, we increased the buying of stock in advance of a possible Brexit date twice in 2019, to no benefit. We urge our politicians, of whichever party wins the General Election, to give certainty to the Country. Without it, of course, it is difficult to plan and commit funds to new investments. As a business and sector, too, we are subject to amendments to the current UK regulatory regime for ventilation and conservation of fuel and power, which could change demand for our passive and powered ventilation products.

In South Korea, the Group's largest net profit contributor, 2019 saw modest growth in GDP throughout the year of about 2.0%, which is below trend. The South Korean economy should continue to grow in 2020 with Focus Economics forecasting a rise in GDP in 2020 of 2.2% and 2.3% in 2021 as the Government continues its expansionary fiscal stance together with the impact of two interest rate cuts by the Bank of Korea. As noted above, we are in a transitionary period for our natural ventilation products in South Korea as market requirements change. Whilst we will be launching new products for this market in the second half of 2020, we expect adoption over a period of time. As a result, we anticipate that sales in Titon Korea in fiscal 2020 will be lower than in 2019.

Our business model is robust but we continue to face political and economic uncertainties which have contributed to a challenging first two months of the fiscal year. Titon builds and delivers popular products across a unique geographical spread and a number of core market positions. We have good people, a strong balance sheet and continue to seek new growth opportunities in our target markets.

On behalf of the Board.

KA Ritchie
Chairman
11 December 2019

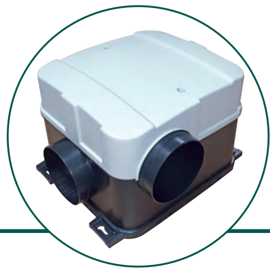
Keith Ritchie Chairman

Notes:

[1] *Underlying Operating profit, Underlying Profit before tax, Underlying EBITDA and Underlying EPS in the period are non-IFRS measures which are calculated by adding back an exceptional item of £181,000, which relates to transaction related costs in respect of a potential acquisition which did not proceed.*

[2] *The Quick Ratio measures liquidity and is calculated as follows: Current Assets-less-Stocks divided by Current Liabilities.*

[3] *Underlying ROCE is calculated by dividing Underlying EBIT by capital employed (capital employed being the sum of shareholders' funds, non-controlling interests and all debt less intangible assets and cash).*



Strategic Report

The Strategic Report has been prepared in accordance with Section 414C of the Companies Act 2006 (the "Act"). Its purpose is to inform shareholders of Titon Holdings Plc ("Titon" or "the Company" or "the Group") and help them to assess how the Directors have performed their legal duty under Section 172 of the Act to promote the success of the Group.

David Ruffell - Chief Executive

Highlights

Revenue decline of 8.8%% to £27.2m and Group profit before tax down to £1.97m
EPS down 29.5% to 12.84 pence
Second dividend paid by Titon Korea
Net cash balances up by £1.18m to £4.59m
Total dividend for the year maintained at 4.75 pence per share

Overview

In evaluating the performance of the business the Directors initially review geographical areas and then consider product group splits at the secondary level.

The Titon Group performance is monitored across three geographical segments. Within these segments, the principal business activities are design, manufacture, marketing and sales, along with our associate's activity in real estate development:

- trickle vents and hardware products for the window and door fabricator markets in the UK, Europe and the USA;
- mechanical ventilation products for the new build residential markets in the UK and Europe; and
- natural ventilation products for the new build residential market in South Korea.

The first two activities above are carried out by Titon Hardware Limited and Titon Inc. (in the US), both wholly owned subsidiaries. Titon is one of the leaders in the window trickle vent market in the UK, trickle vents being used extensively in the new build and refurbishment sectors. The third activity is carried out by Titon Korea Co. Ltd ("Titon Korea"), a 51% owned subsidiary, which designs and manufactures products and Browntech Sales Co. Limited ("BTS"), a 49% owned associate company, which markets and sells these products to customers. BTS has also been active in domestic residential real estate development.

Titon's strategy is to grow the businesses organically on a continuing basis and to develop new products. In South Korea the Group seeks to maintain its position as a market leader in natural ventilation in the residential market. More details of the Group's strategy are discussed below.

Chief Executive's Review

The principal activities of the Group have not changed during the year and consist of the design, manufacture and marketing of ventilation products and door and window fittings.

The Consolidated Income Statement is set out on page 37. A summary of the results along with other selected Key Performance Indicators ("KPIs") is as follows:

	2019	2018 restated
	£'000	£'000
Revenue	**27,157**	29,774
Profit before tax	**1,970**	2,770
Taxation	**(186)**	(315)
Profit after tax	**1,784**	2,455
Revenue per employee	**126**	132
Profit after tax per employee	**8.3**	10.9
Net cash and cash equivalents	**4,587**	3,415

The Directors are disappointed with the 9% fall in Revenue and the 29% decrease in Group Profit before Tax during the year, which is largely due to lower business levels in South Korea. A full review of the Group's performance during the year is given in the Chairman's Statement.

Goals and strategy

The Titon Group's goals are the following:

Markets	Grow market share of natural and mechanical ventilation products and window and door hardware in the residential housing markets of the UK, Europe, US and South Korea
Employees	Provide a challenging but rewarding and supportive environment for our employees which offers them long term careers
Products	Offer products which are of high quality and that the "as built" performance is as expected
Shareholders	Interact with shareholders and generate rising returns through a rising share price and a progressive dividend policy on a consistent basis
Management	Set and maintain a high standard of management and business behaviour, which will ensure that employees, customers and suppliers are treated fairly

Our strategy to meet each of these goals is identified separately and then transferred into incremental steps and actions which each department within Titon can achieve and against which they can be measured. Each year these strategies are reviewed at the start of the financial period by the Board of Directors and changes are made, where necessary, if the results achieved have been less than the target.

The strategy to achieve each of these goals is as follows:

Grow market share in the UK, Europe, US and South Korea
- Increase sales of our existing products
- Find new customers for our products
- Develop new products
- Improve existing products

Working environment
- Pay our employees fairly for their services
- Retain a long term view and not a "hire and fire" mentality
- Provide employees with the necessary support and training to do their jobs
- Ensure that the diversity of every employee is recognised and that everybody is treated equally
- Conduct regular and transparent appraisals with all employees

Product offering
- Invest in research and development resources to bring innovative new products to market
- Set high standards for product design
- Continuously improve production performance
- Take customer complaints seriously and improve products as required

Interaction with shareholders
- Pay dividends commensurate with the results of the business
- Communicate openly and honestly with an absence of jargon
- Be accessible to all shareholders at all times

Management behaviour
- Set high standards for management and all employees
- Be accountable and take responsibility for decision taking
- Communicate effectively with all stakeholders
- Ensure all dealings are open and cannot be misconstrued

Strategic Report (continued)

Business model

Within its main geographical classifications of the United Kingdom, South Korea, North America and All Other Countries, the Group operates in two business streams:

(i) trickle ventilation and window and door hardware business, in which Titon has operated since its formation in 1972, and including South Korea. This activity accounted for 74% of Group revenue in 2019 (2018: 77%); and

(ii) mechanical ventilation business, which the Group entered in 2007 and which accounted for 26% of revenue in 2019 (2018: 23%). See Business Segmentation information on page 52.

The Group generally organises its sales and marketing activities into these business streams with manufacturing and other services supporting them both on a shared basis. The management of these two business streams also follows this split with regular meetings of the senior managers alongside the Directors.

In the UK, the Group has a direct sales force for both business streams and aims to win specifications for its products through its dealings with developers/housebuilders, architects, building services engineers and local authorities. Where specifications are not possible, Titon aims to sell directly to its wide customer base of electrical contractors, installers and window fabricators.

Titon operates in a wide range of export markets and has made sales to a significant number of countries from the UK during this year. Our policy for exporting, in respect of both window and door hardware and mechanical ventilation products, is to appoint local distributors and to support them in building the Titon brand. Within the mechanical ventilation business the Group also manufactures OEM products for its customers and, near term, has targeted a significant increase in its activities in continental Europe.

In South Korea, Titon Korea makes almost all of its sales to BTS, which sells products onward to its customers in the new residential construction sector. Titon entered the South Korean market in 2008. As noted elsewhere, BTS has entered into a number of property development activities in the last three years but no further developments will be made.

The Group also has a wholly owned subsidiary, Titon Inc, based in Indiana in the USA. Sales into this market accounted for 4% of Group revenues during the year (2018: 2%).

The Group manufactures products in the UK and in South Korea. Production in South Korea is entirely for the South Korean market, whilst products manufactured in the UK are sold domestically and exported. Products manufactured in the UK factory account for 48% (2018: 42%) of overall Group turnover and products manufactured in South Korea account for 31% (2018: 39%). The remaining 21% (2018: 19%) of revenue is obtained by the sale of products bought-in from third party manufacturers. These bought-in products tend to be complementary to and are generally sold alongside our own manufactured lines.

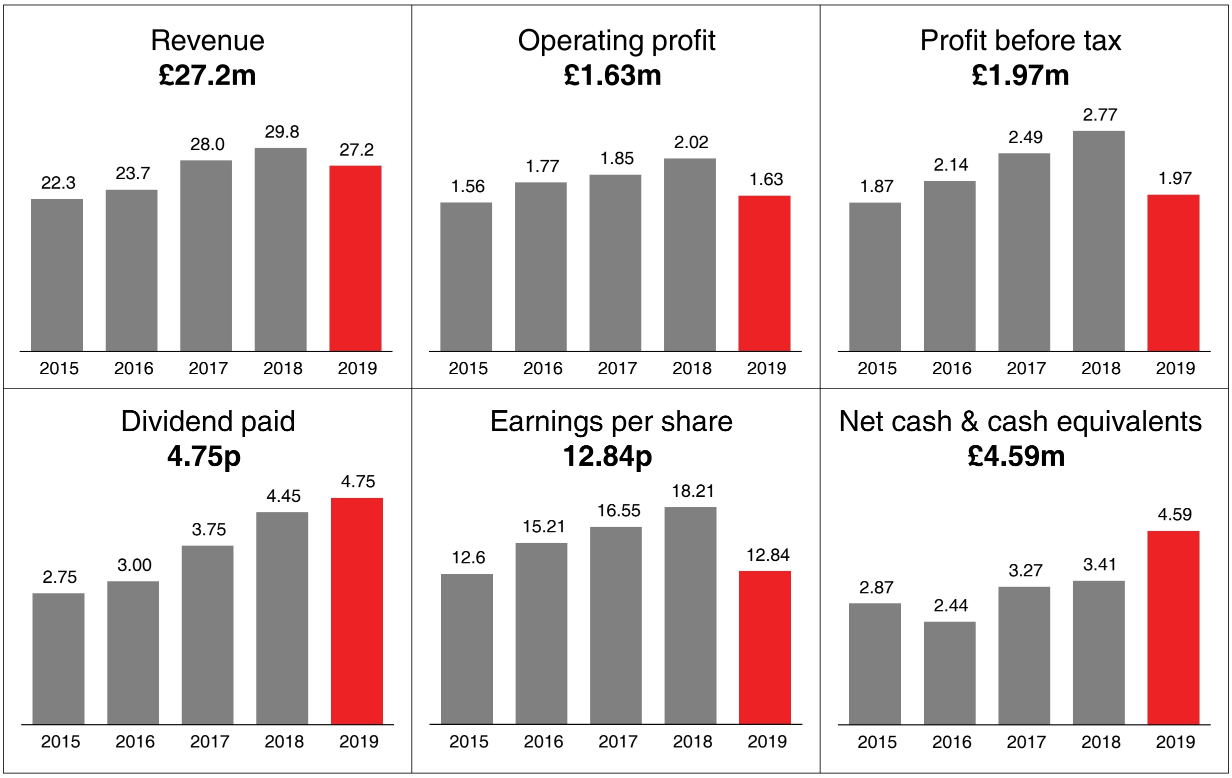
Key Performance Indicators (KPIs)

The Board looks at a range of KPIs to monitor the performance of the Group throughout the financial year and within the individual business departments further KPIs are reviewed. The financial KPIs monitored by the Board regularly include:

KPI	Timing
Group Revenue	Measured against budget and prior year on monthly basis
Group Profit Before Tax	Measured against budget and prior year on monthly basis
Individual legal entities' and business sector performance	Measured against budget and prior year on monthly basis
Revenue and Profit per employee	Measured annually within the Strategic Report
Sales, margins and prices of core products	Top 25 products reviewed monthly and at Divisional Management levels
Sales to customers	Top 25 customers and 12 month rolling sales reviewed monthly and at Divisional Management levels. Sales by individual area sales managers reviewed weekly
Purchases	Top 25 suppliers and delivery performance reviewed monthly
Net cash	Reviewed quarterly by Board and monthly by senior management

The Board of Directors also reviews quarterly performance figures at the quarterly board meetings and any significant variances are discussed together with any necessary remedial actions.

Graphical representations of some of these KPI's and other financial performance measures for the years ended 30 September are as follows:



Note: 2018 figures are restated

2018/19 performance

The financial results for the year are shown above and are discussed throughout the Annual Report. In respect of the strategies identified, the significant outcomes are as follows:

UK, Europe and USA

- sales of trickle vents and door and window hardware products fell by 1.4% in the UK and in Europe during the year, but increased by over 50% in the US. Whilst we have experienced a fall in trickle vent sales in some of our European markets it has been encouraging to see continued strong growth in sales of Titon branded hardware in the UK. The rebound in US sales comes against the background of a significant fall in the previous financial year, but is nonetheless welcome news;
- sales of Ventilation System products in the UK rose by 7% in the period against the prior year, but sales to continental Europe and the rest of the world were flat as some of our more important European markets slowed;
- we continued to invest in new products during the year and launched two further sizes of Mechanical Ventilation with Heat Recovery (MVHR) units, both of which are already being received very positively in their target market sectors;
- we have recently restructured our workforce in Haverhill in 2019 to reflect changes in our product mix and reductions in demand on some product lines.

South Korea

- sales of natural ventilation products through our subsidiary in South Korea fell by 27% as sales into the private sector declined due to a slowdown in residential new build construction and the impact of air pollution coming mainly from China. Despite this Titon retains a strong position in South Korea with an estimated market share in its chosen products in excess of 75%.

Other

- research and development expenditure in the year, excluding capitalised development expenditure, increased again to £504,000 (2018: £446,000), reflecting the strategy noted above to continually develop new products;
- employee numbers fell during the period to 215 at September 2019 against 225 at September 2018. Salaries are reviewed annually but due to the difficult operating environment the staff inflationary pay review for October 2019 has been deferred.

Strategic Report (continued)

2019/20 activities

The Board anticipates that the Group's business will continue on broadly the same approach as it did in 2018/19 and our strategy remains the same. We have set budgets for all parts of our business which reflect agreed growth ambitions and these will be monitored on a monthly basis. Specific initiatives for the current fiscal year include:

- increasing our penetration into the residential MVHR market in the UK through an increase in sales force numbers and sales activities;
- working with Regulatory and Governmental organisations to increase the awareness of the effects of inadequate ventilation and poor indoor air quality (subject to the MHCLG Consultations on Building Regulations discussed in the Chairman's Statement);
- increased sales in eastern Europe of MVHR systems as these markets become aware of the availability of this technology along with their need to reduce energy consumption;
- continuing efforts to sell more Titon branded bought-in hardware, particularly cylinders and friction hinges;
- increased sales of acoustic trickle vents particularly in the major conurbations where external noise can be an important issue for house occupiers or where new infrastructure, such as roads, railways or airports is being developed;
- development of new natural ventilation products in South Korea following changes to the regulatory regime in Korea that requires higher levels of filtration for all ventilation systems;
- focus on improving factory operating efficiency along with continued control of overheads will be necessary;
- in the UK, the consensus view on the UK economy is for GDP growth of around 1.2% in 2020 and 2021. UK Government capital spending remains constrained although housebuilding remains a political priority with a commitment to build 300,000 units per annum through the middle of the next decade. At the same time, the largely independently funded Housing Associations continue to grow and spend on new build and repair, maintenance and improvement (RMI). Experian is forecasting continued growth of 2.3% for 2020 in residential new build in both the private and public sectors and 4.1% in 2021. For public and private sector residential RMI Experian forecast 2.3% increase in 2020 and 2% in 2021. We anticipate that demand should increase for both our hardware and mechanical ventilation product sales over and above any gains in market share; and
- in South Korea GDP growth is forecast by FocusEconomics to grow by 2.2% in 2020 and 2.3% in 2021. At the same time, it is anticipated that increasing levels of air pollution may raise demand for mechanical ventilation units over natural ventilation products. This means that we anticipate a continuing slowdown in our core business in South Korea in fiscal 2020 as our new products are introduced to the market.

Employee Gender Breakdown

As at the end of the financial year the analysis by gender of employees, was as follows:

	2019 Male	**2019 Female**	**2019 Total**	2018 Male	2018 Female	2018 Total
Directors	**8**	**-**	**8**	7	-	7
Senior Managers	**9**	**-**	**9**	9	-	9
Other	**124**	**74**	**198**	134	75	209
Total	**141**	**74**	**215**	150	75	225

Corporate and Social Responsibility Report

Business ethics, anti-corruption and compliance

The Group is committed to conducting its business in an ethical, socially responsible and environmentally sustainable manner. The Directors lead by example in encouraging and promoting the highest standards of integrity throughout all of their business dealings.

As far as it is possible to determine, the Group complies with all human rights, anti-corruption and environmental legislation, regulation and best practice in each of the countries where it conducts business.

The following formal policies are in place within the Group to promote and monitor business ethics and anti-corruption:

- anti-corruption policy to protect the Group in respect of employees offering payments or inducements to gain favour with customers or potential customers; and
- whistleblowing policy to enable any employee who has concerns as to the Group being involved in any unlawful or improper activities can raise issues in confidence and with reassurance that they will be protected from reprisals or victimisation.

Employees who become aware of any breaches of these policies would raise them with their immediate line manager or if this isn't appropriate with a Director. Such instances would also be immediately discussed by Senior Management and would then be raised with the Board at the next scheduled Board meeting. Urgent matters will be referred to the Chief Executive for appropriate action. Concerns can also be raised directly with any of the Non-executive Directors if the allegation involved any of the Senior Management. Third parties can raise any issues or breaches of policy with any of the Directors.

Health and safety

It is critical as a manufacturing business that our employees operate in a safe environment and that our health and safety policies and practices are as good as they can be. We have recently updated our Health & Safety policy, which is displayed on noticeboards throughout the business, and have a full time Health & Safety officer.

The Health and Safety management system is as follows:

Board of Directors	Overall responsibility for setting policy and performance
Health & Safety Management Committee	Meets quarterly to review statistics and every reported incident. Both the Chairman and CEO attend
Local Management	Responsible for oversight of Health & Safety Officer and any local incidents
Health & Safety Officer	Responsible for all day to day issues, implementation of changes to policy and reaction to incidents

The accident statistics for our UK operations are as follows:

- January to December 2018 — 36 reported accidents, 1 RIDDOR reported
- January to December 2019 — 44 reported accidents, 0 RIDDOR reported

RIDDOR is the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. These Regulations require employers, the self-employed and those in control of premises to report specified workplace incidents.

Environmental matters

The Board recognises its responsibility as a manufacturing business to minimise the impact of the Group's activities on the environment.

The Group seeks to reduce its environmental impact in a way that benefits a broad group of stakeholders, including customers, shareholders, employees and, in particular, the local community.

Corporate and Social Responsibility Report (continued)

The Group follows ISO 14001:2015 for Environmental Management Systems within its UK manufacturing operation and places great emphasis on ensuring that it conducts its operations such that:

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

As part of its processes, the Group's environmental performance is reviewed monthly by senior management and a programme of continuous improvement for the benefit of customers, employees and the environment has been adopted. We remain focussed on reducing our energy usage and maintain detailed records of each area's gas and electricity consumption with the aim of taking prompt action if any unexplained increase is observed. Based on the latest energy figures available we have reduced our UK electricity usage by 2.5% in 2019 against 2018 and gas usage by 10% over the same periods.

In accordance with Statutory Instrument 2008/410 the Group presents the following information in respect of its CO_2 emissions during the period.

Global Greenhouse Gas (GHG) emissions data for the period are:

Source:	**2019 tCO_2e**	2018 tCO_2e
Combustion of fuel and operation of facilities	**648**	698
Electricity, heat, steam and cooling purchased for own use	**368**	428
Total tonnes of CO_2 equivalent	**1,016**	1,126
CO_2 emissions normalised per £ million of sales of manufactured products	**48**	47

These sources fall within our consolidated financial reporting. We do not have responsibility for any emission sources outside of our consolidated financial reporting, including those of our Associate Company.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2019.

Community and human rights

We continue to support a number of national charities throughout the year and have identified a specific local charity each year as well for collections. We have arranged a collection before Christmas of clothing and foodstuffs for the Colchester Night Shelter, which exists for the benefit of rough sleepers in Colchester. Our colleagues in Haverhill also carry out a number of charity collections during the year.

We are committed to respecting human rights across our business operations and aim to comply with all local and international legislation and standards.

Employee diversity and equal opportunities policy

We are committed to encouraging equality and diversity among our employees. Our objective is to create a working environment in which there is no unlawful discrimination and where all employee decisions are based on merit. The policy applies to all employees, workers, agency workers, contractors and job applicants and covers all of the "protected characteristics" as defined by the Equality Act 2010.

This policy has been issued to all employees within the UK Group and provides a framework for ensuring that no employee is discriminated against. We recognise that equality and diversity is paramount within our employees and provide training to our staff, where necessary, to ensure that they understand the policy and avoid discrimination.

Report on Risk Management

Risks and uncertainties

The Group has established procedures for monitoring and controlling operational and financial risks and these are detailed below.

The Board is responsible for ensuring that the Group maintains an effective risk management system. It determines the Group's approach to risk, its policies and the procedures that are implemented to mitigate exposure to risk.

Process for managing risk

The Board continually assesses and monitors the key risks in the business and has developed a risk management matrix to identify, report and manage its principal risks and uncertainties. This includes the recording of all principal risks and uncertainties, which are reviewed annually. Risks are fully analysed, their potential impact on the business assessed and relevant mitigations established. The risk matrix is reviewed quarterly at Board Meetings along with the appropriateness and effectiveness of the key mitigating controls.

The table below highlights the principal risks and uncertainties which could have a material impact on the Group's performance and prospects and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. The Board does recognise, however, that it will not always be possible to eliminate these risks entirely.

Risk Matrix

Risk	Potential Impact	Mitigations
Associate companies The Group is exposed to the risks related to working with associate companies over which it does not have full operating control through its equity holding.	Failure to maintain good working relationships and to exert sufficient control and influence in respect of our South Korean Associate Company, Browntech Sales Co. Ltd could affect the Group's ability to deliver on its objectives in this market.	The Group's senior management has a regular schedule of visits to meet with the Associate Company's management in South Korea. A formal Distribution Agreement exists between Titon Korea Co. Ltd and Browntech Sales Co. Ltd which aligns those companies for trading purposes.
Brexit The decision to leave the European Union could have a significant impact on the Group's business in the UK and Europe. There is still great uncertainty about the nature of the relationship with the EU after we leave, the date of which is still uncertain.	Imports and exports of goods and raw materials to and from the EU could be subject to tariffs or other charges, which could increase costs and make the Group's products uncompetitive. Delays in the movement of goods across borders after the UK leaves the European Customs Union may affect the Group's ability to supply its customers.	The Group will monitor the UK and EU negotiations and political ramifications and through its membership of trade associations will lobby that tariff free trading along with the frictionless physical movement of goods is highly desirable.
Business disruption The Group's manufacturing and distribution operations could be subjected to disruption due to factors including incidents such as a major fire, a failure of essential IT equipment or a major cyber-attack on the Group.	Incidents such as a fire at the Group's premises or the failure of IT systems could result in the temporary cessation in activity or disruption of the Group's production facilities impeding the Group's ability to deliver its products to its customers. A cyber-attack could leave the Group open to a ransom demand or compromise data security both for the Group and customers.	The Group has developed business continuity and disaster recovery plans. The Group maintains a significant amount of insurance to cover business interruption and damage to property from such events. Additional measures have been taken to ensure the security of the Group and customer data.

Strategic Report (continued)

Report on Risk Management (continued)

Risk	Potential Impact	Mitigations
Reliance on key customers and suppliers Parts of the Group's business are dependent on key customers and key suppliers.	Failure to manage relationships with key customers and suppliers could lead to a loss of business affecting the financial results of the Group.	The Group's strategic objective is to broaden its customer base wherever possible. The Group focuses on delivering high levels of customer service and maintains strong relationships with major customers through direct engagement at all levels. The Group maintains customer service KPIs which are monitored monthly through the Group's ISO 9001 procedures and intervention made where required. The Group closely manages its pricing, rebates and commercial terms with its customers and suppliers to ensure that they remain competitive.
New product development The Group operates in very competitive markets where the continual development of new products is necessary.	Failure to provide customers with market leading products could lead to a loss of business affecting the financial results of the Group.	The Group continually seeks to innovate and develop its product lines to ensure its products are appropriate for the markets in which it operates. The Group maintains comprehensive patent, design and trademark coverage.
Recruitment and retention of key personnel The Group is dependent on the continued employment and performance of its senior management and other skilled personnel.	Loss of any key personnel without adequate and timely replacement could disrupt business operations and the Group's ability to implement and deliver its growth strategies.	The Group has a formal succession plan in place which is reviewed periodically. The Group aims to provide competitive remuneration packages and bonus schemes to retain and motivate key personnel.
Economic conditions The Group is dependent on the level of activity in the construction industry in the countries in which it markets its products and is therefore susceptible to any changes in economic conditions.	Lower levels of construction industry activity within any of the key markets in which the Group operates could reduce sales and production volumes adversely, thus affecting the Group's financial results.	The Group closely monitors trends in the industry using a wide range of external data including Experian's reports and forecasts for the UK and other reports in the rest of the world. The Group monitors product demand on a weekly basis and is able to respond quickly in re-allocating or varying resources. The Group continually seeks to expand the geographical markets into which it sells its products.

Risk	Potential Impact	Mitigations
Government action and policy The Group's business is significantly affected by Building Regulations in its core markets as well as by government action and policies relating to public and private investment.	Many of the Group's products are provided to customers in order to help them to comply with Building Regulations in respect of ventilation. Changes to Regulations could adversely impact on sales volumes affecting the Group's financial results. Additionally, significant downward trends in government spending could have an adverse impact on the construction industry which could impact on sales and production volumes affecting the Group's financial results.	The Group closely monitors and attempts to influence Building Regulations through its work with industry working groups. The UK ventilation and heat and power use regulations are currently subject to consultation. The Group structures its operations so that it has a balanced exposure to the residential and commercial construction sectors and the refurbishment sector so as to reduce the impact of any adverse government action or policy on any one of these sectors.
Government regulations and standards The Group is subject to the requirements of occupational Health and Safety laws, employment law and environmental regulations, within the markets in which it operates.	Failure of the Group to comply with Health and Safety law, employment law and environmental regulations could result in the Group being liable for fines. It could also require modification to operations, increase manufacturing and delivery costs, and could result in the suspension or termination of operations, thereby impacting the Group's financial results.	The Group has a strong Health and Safety ethos combined with robust policies and procedures for the management of employee and visitor safety across its sites. The Group uses the services of EEF Ltd and lawyers in formulating employment practices and policies and when dealing with employee disputes and grievances. Within the UK, the Group operates an ISO 14001 Environmental policy, and procedures are in place to monitor compliance with the policy which is subject to external environmental audits on a periodic basis.
Product liability The Group manufactures electrical products that could cause injury to people or property. The Group's products are also often incorporated into the fabric of a building or dwelling, which could be difficult to access, repair, recall or replace in the event of product failure.	A product safety issue or a failure or recall could result in a liability claim for personal injury or other damage leading to substantial money settlements, damage to the Group's brand reputation, costs and expenses and diversion of key management's attention from the operation of the Group, which could all affect the Group's financial results.	The Group operates comprehensive quality assurance systems and procedures within its UK manufacturing processes and is subject to regular external audit as part of its ISO 9001 accreditation. Comprehensive end of line testing is carried out on all in-house manufactured electrical products. Wherever required, the Group obtains certifications over its products to the relevant standards of the countries in which it markets its products. These certifications incorporate electrical safety testing. The Group endeavours to ensure that its products are in compliance with relevant fire safety regulations. The Group maintains product liability insurance to cover personal injury and property damage claims from product failures as well as professional indemnity cover for areas of the business where advice about products is provided as part of the sales process.

Strategic Report (continued)

Report on Risk Management (continued)

Financial risk management The Group's operations expose it to a variety of financial risks which include the effects of:		The Group has financial risk management procedures in place that seek to limit the adverse effects of the financial risks as follows:
Risk	**Potential Impact**	**Mitigations**
Fraud The risk that an employee or a group of employees could embezzle the Group's funds either directly or through co-operation with external accomplices.	A significant financial fraud could deplete the Group's assets and adversely affect the Group's financial results.	The Group has a series of Financial Control Procedures in place which are designed to minimise this risk and these are reviewed regularly. Segregation of duties is a critical component within these controls.
Foreign exchange risk The risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's risk relates primarily to its trading activities in South Korea denominated in South Korean Won. The Group is also exposed to foreign exchange risk in respect of cash flows denominated in Euros and US Dollars.	Exchange rate fluctuations may adversely affect the Group's results.	It is not possible for the Group to mitigate exchange rate differences which impact the translation of its overseas subsidiaries' results and net assets. The Group undertakes some activities in the Eurozone where purchases of materials denominated in Euros provide an element of natural hedging for sales of finished products denominated in Euros. The Group sells products into the US where prices are denominated in US Dollars. The income from this activity provides a natural hedge for components sourced from East Asia, which are also denominated in US Dollars.
Credit risk The Group is exposed to credit risk from its trading activities (primarily from trade receivables) and from its deposits with banks.	The failure of a counterparty to meet their financial obligations could lead to a financial loss for the Group.	Customer credit risk is subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on referencing and on third party scoring and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and deliveries are suspended when customers exceed their payment terms. Credit risk arising from cash deposits with banks are managed by the Group's finance department. Investments of surplus funds are made only with banks that have, as a minimum, a single A credit rating.

Risk	Potential Impact	Mitigations
Liquidity risk The risk that the Group will not be able to meets its financial obligations as they fall due.	Insufficient funds could result in the Group not being able to fund its operations.	The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains close relationships with a number of UK banks in order to support liquidity requirements.
Interest rate risk The risk that interest rates could change impacting on the Group's results.	Increases to interest rates could result in significant additional interest rate payments being required on any borrowings. Decreases to interest rates could result in lower interest income on bank deposits.	Owing to the Group's size and degree of exposure to interest rate risks, no hedging activity is currently undertaken.

This Strategic Report was approved by the Board on 18 December 2019 and signed on its behalf by:

D A Ruffell
Chief Executive

Directors' Report

The Directors present their report and the Group and Company financial statements for the year ended 30 September 2019.

The Directors of Titon Holdings Plc throughout the financial year or subsequent to the year-end are listed on page 26.

A detailed commentary on the results for the year and discussion of future developments is given in the Chairman's Statement on pages 2 to 5 and an explanation of the Group's business strategy is included within the Strategic Report on page 8.

The Group's compliance with the UK Corporate Governance Code is set out in the report on pages 28 and 29.

Substantial shareholders

As at 30 September 2019, the Company had been notified of the following voting interests in its ordinary share capital (excluding ordinary shares held in treasury), other than Directors' holdings, of 3 per cent or more in the ordinary share capital of the Company:

Name	Shares	%
Rights & issues Investment Trust PLC	1,265,000	11.41
MI Discretionary Unit Fund Managers Ltd	800,000	7.22
Mrs A J Clipsham	741,579	6.69

The Company has not been notified of any changes to substantial shareholdings between 30 September 2019 and 18 December 2019.

Share capital

The total issued ordinary share capital at 30 September 2019 consisted of 11,133,750 Titon Holdings Plc shares of 10p each, of which 50,000 shares were held in treasury. There were no changes to the Company's ordinary share capital during the year.

Details of the authorised and issued share capital of the Company as at 30 September 2019 are set out in note 18 of the Notes to the Financial Statements.

All of the Company's shares are ranked equally and the rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in England and Wales and on the Company's website at www.titonholdings.com.

There are no restrictions on the voting rights of shares and there are no restrictions on their transfer other than:

- certain restrictions as may from time to time be imposed by laws and regulations (for example insider trading laws); and
- pursuant to Article 19(11) of the Market Abuse Regulation whereby Directors of the Company require approval to deal in the Company's shares (Market Abuse Directive available from https://www.esma.europa.eu/regulation/trading/market-abuse).

Additionally, the Company is not aware of any agreements between shareholders of the Company that may result in restrictions on the transfer of ordinary shares or voting rights.

Proposed dividends

The Directors recommend the payment of a final ordinary dividend of 3.0 pence (2018: 3.0 pence) per ordinary share. This, when taken with the interim dividend of 1.75 pence (2018: 1.75 pence) per ordinary share paid on 21 June 2019, gives a total dividend of 4.75 pence (2018: 4.75 pence) per ordinary share for the year ended 30 September 2019. Titon operates a dividend reinvestment programme for shareholders details of which are available from our registrars, Link Market Services Ltd.

Research and development

The Directors consider that research and development continues to play an important role in the Group's success as the need to provide increasingly energy efficient ventilation products will be a feature of our market over the coming years.

Investment in research and development amounted to £504,000 during the year (2018: £446,000). Development expenditure capitalised in 2019 amounted to an additional £123,000 (2018: £136,000). See note 11 of the Financial Statements.

Financial risk management

The Directors assess the financial risks facing the business and spend appropriate time considering them. The Group has a system of risk management, which identifies these items and seeks ways of mitigating such risks as far as is possible. The Report on Risk Management set out on pages 13 to 17 includes information on financial risk and also see note 20 to the Financial Statements.

Employees

The Group recognises the importance of its employees in achieving its objectives and has contractual arrangements in place to encourage and reward loyalty and to safeguard the interests of the Group.

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

The Group is an equal opportunities employer and its policies for recruitment, training, career development and promotion are based on the aptitude and abilities of the individual. See the Strategic Report for more details.

Disabled employees

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

The Group considers the training requirements of each disabled person on an individual basis. Where an employee becomes disabled during the course of their employment, the Group will consider providing the employee with such means, including appropriate training, as will enable the employee to continue to carry out their job, where it reasonably can, or will attempt to provide an alternative suitable position.

Capital management

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

The Group considers its capital to comprise ordinary share capital, share premium, the capital redemption reserve and accumulated retained earnings (see 'Consolidated Statement of Changes in Equity' on page 40). The translation reserve is not considered as capital. In order to maintain or adjust its working capital at an acceptable level and to meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

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

Environmental issues

An explanation of how the Group deals with its environmental responsibilities is included within the Strategic Report.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

Directors' Report (continued)

Directors' responsibilities (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website, which can be found at www.titonholdings.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. Following the move to AIM the Directors are also responsible for disclosing additional information under Rule 26 of the AIM Rules, which is available at www.titonholdings.com. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

The Directors at the time of approving the Directors' Report are listed on page 26. Having made enquiries of fellow Directors and of the Officers of the Company, each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all steps a Director ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the Company's auditors are aware of that information.

Directors' liability insurance and indemnity

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

Purchase of own shares

The Company has authority from shareholders to purchase up to 10% of its own ordinary shares in the market. This authority was not used during the year nor in the period to 18 December 2019 and the Board intends to seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, companies are permitted to hold purchased shares rather than cancelling them and as at 30 September 2019 and 18 December 2019 the Company held 50,000 such shares in treasury. The Company may use this power again in the future depending on market conditions and the financial position of the Company.

Post balance sheet events

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

Going concern

The Group's business activities, its financial position, together with the factors likely to affect the Group's performance, are set out in the Strategic Report. In addition, note 20 to the financial statements includes the Group's risk management objectives and policies; managing its financial risk and its exposures to credit risk, foreign exchange risk and liquidity risk.

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

The Directors have reviewed the budgets, projected cash flows, principal risks and other relevant information for a period of three years from the balance sheet date. On the basis of this review the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the Financial Statements. For this reason they believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting of Titon Holdings Plc ("the Company") will be held at the Company's Head Office at 894 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9YQ on 18 February 2020 commencing at 11.00 a.m. A Notice convening the Annual General Meeting of the Company for the year ended 30 September 2019 may be found on page 71 of this document.

Shareholders are being asked to vote on various items of ordinary business, being Resolutions 1 to 12 inclusive, as listed below:

Resolution 1 – to receive and adopt the audited accounts

The Directors recommend that shareholders adopt the reports of the Directors and the Auditors and the audited accounts of the Company for the year ended 30 September 2019.

The Directors' Report was approved by the Board on 18 December 2019 and signed by order of the Board.

Resolution 2 - to declare a final dividend

The Directors recommend a final dividend of 3.0 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 21 February 2020 to shareholders on the register on 17 January 2020.

Resolution 3 - to re-elect Mr Tyson Neil Anderson as a Director

The Chairman confirms that following performance evaluation Mr Anderson continues to be effective and demonstrates commitment in his role.

Resolution 4 - to re-elect Mr Tony David Gearey as a Director

The Chairman confirms that following performance evaluation Mr Gearey continues to be effective and demonstrates commitment in his role.

Resolution 5 - to re-elect Mr John Neil Anderson as a Director

The Chairman confirms that following performance evaluation Mr Anderson continues to be effective and demonstrates commitment in his role.

Resolution 6 - to re-elect Mr Kevin Sargeant as a Director

The Chairman confirms that following performance evaluation Mr Sargeant continues to be effective and demonstrates commitment in his role.

Resolution 7 - to re-elect Mr Nicholas Charles Howlett as a Director

The Chairman confirms that following performance evaluation Mr Howlett continues to be effective and demonstrates commitment in his role.

Resolution 8 – to re-elect Mr Bernd Ratzke as a Director

The Chairman confirms that following performance evaluation Mr Ratzke continues to be effective and demonstrates commitment in his role.

Resolution 9 - to re-appoint BDO LLP as auditors

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

Resolution 10 – to approve the Directors' Remuneration Report

Resolution 10 in the Notice of Annual General Meeting, which will be proposed as an Ordinary Resolution, is to receive and approve the Directors' Remuneration Report as set out on pages 23 to 27.

Directors' Report (continued)

Resolution 11 – authority to allot shares
The Companies Act 2006 prevents directors of a public company from allotting unissued shares, other than pursuant to an employee share scheme, without the authority of shareholders in general meeting. In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot shares, which was granted at the Annual General Meeting held on 20 February 2019, will expire at the forthcoming Annual General Meeting.

Resolution 11 in the notice of Annual General Meeting will be proposed, as an Ordinary Resolution, to authorise the Directors to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £260,000, representing approximately 24% of the nominal value of the ordinary shares in issue on 18 December 2019 (excluding treasury shares). The Company currently holds 50,000 shares in treasury.

The authority conferred by the resolution will expire on 17 May 2021 or, if sooner, at the 2021 Annual General Meeting.

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

Resolution 12 - to disapply pre-emption rights
Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any of the unissued shares for cash or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. These are known as pre-emption rights.

The existing disapplication of these statutory pre-emption rights, which was granted at the Annual General Meeting held on 20 February 2019 will expire at the forthcoming Annual General Meeting. Accordingly, Resolution 12 in the Notice of Annual General Meeting will be proposed, as a Special Resolution, to give the Directors power to allot shares or sell treasury shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £150,000 (representing approximately 14.6% of the nominal value of the ordinary shares in issue on 18 December 2019). The power conferred by this Resolution will expire on 17 May 2021 or, if sooner, at the 2021 Annual General Meeting.

In addition, there is one item of special business, being Resolution 13, as listed below.

Resolution 13 - Company's authority to purchase its own shares
Resolution 13 in the Notice of Annual General Meeting, which will be proposed as a Special Resolution, will authorise the Company to make market purchases of up to 1,090,000 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 18 December 2019. The maximum price per share that may be paid shall be the higher of: (i) 5% above the average of the middle market quotations for an ordinary share for the five business days immediately before the day on which the purchase is made (exclusive of expenses); and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (exclusive of expenses). The minimum price shall not be less than 10p per share. The authority conferred by this resolution will expire on 17 May 2021 or, if sooner, at the 2021 Annual General Meeting.

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

The Company may hold in treasury any of its own shares that it purchases in accordance with the Companies Act 2006 and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base. As noted above the Company currently holds 50,000 shares in treasury.

As at 18 December 2019 there were options outstanding over 415,000 ordinary shares which, if exercised at that date, would have represented 3.7% of the Company's issued ordinary share capital (including treasury shares). If the authority given by Resolution 13 were to be fully used, these would then represent 4.1% of the Company's issued ordinary share capital.

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

The Directors' Report was approved by the Board on 18 December 2019 and signed on its behalf by:

D A Ruffell
Secretary

Directors' Remuneration Report

Statement from the Chairman of the Committee

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2019.

The vote on the Directors' Remuneration Report is, as previously, an advisory vote. An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 18 February 2020, to receive and adopt the Directors' Remuneration Report. I can report that at the 2019 AGM there were 1,538,215 votes in favour, 0 votes against and 473 votes withheld for the Resolution to receive and adopt the Directors' Remuneration Report.

There has been no change to the Directors' Remuneration Policy during the period and there have been no significant changes in individual Director's levels of remuneration during the year, except as a result of the performance related elements, which are directly linked to the amount by which the Group's profit before taxation exceeds budget. As the results did not exceed budget, no performance related elements have been paid this year.

Details of the Directors' Remuneration Policy are shown on the Group's website in the Corporate Governance section. The Directors' Remuneration Policy was approved in its entirety at the 2018 AGM and the Remuneration Committee is not proposing any changes this year.

The Directors' interests in the ordinary share capital of the Company at the year-end are reported below on page 26.

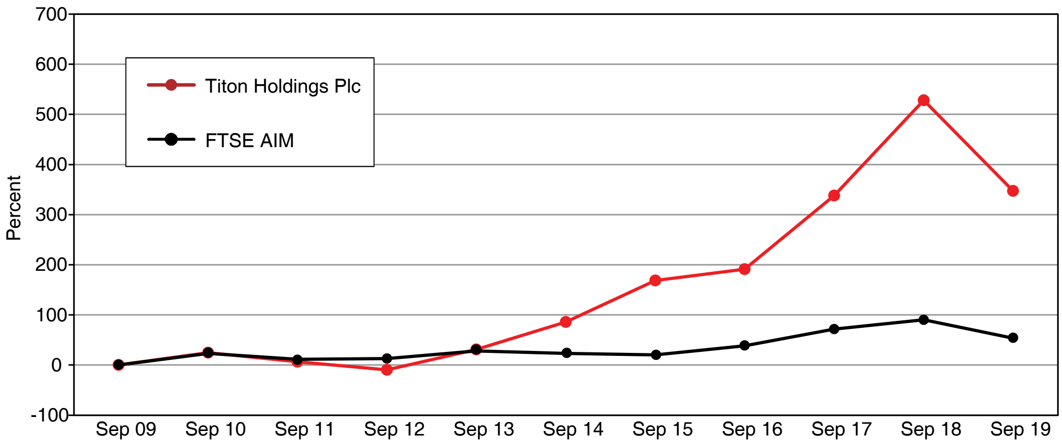
Remuneration Committee

The Committee presently consists of Mr J N Anderson, a Non-executive Director and the Deputy Chairman, and Mr K Sargeant, a Non-executive Director. The Committee has been established by the Board to set Remuneration Policy and to deal with all matters relating to Directors' Remuneration and reporting thereon. It has clear Terms of Reference established by the Board.

Performance graph

The following graph shows the Company's 10 year performance, measured by total shareholder return, compared with the equivalent performance of the FTSE AIM index.

Total Shareholder Return Index



This graph shows the percentage change in value of £1 invested in the Company on 30 September 2009 (assuming dividends reinvested) compared with the percentage change in value of £1 (assuming dividends reinvested) in the FTSE AIM. The Directors consider the FTSE AIM Index to be an appropriate choice as the Company was included in it during the year to 30 September 2019.

Directors' Remuneration Report (continued)

Chief Executive's Remuneration

The elements of, and the movement in, the remuneration of the Chief Executive over the past ten years is as follows:

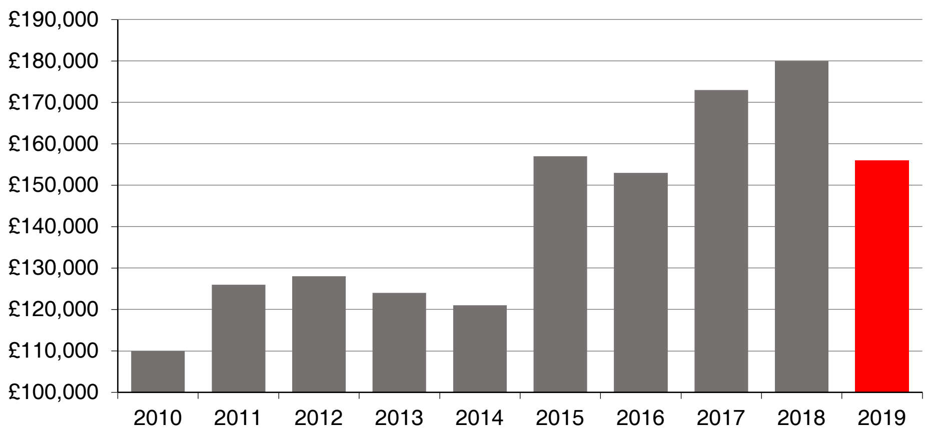
Year ended 30 September	Salary	Short term performance related remuneration	Benefits in kind	Pension benefits	**Total**	Percentage change in year	Percentage of short term performance related remuneration entitlement received in year
	£'000	£'000	£'000	£'000	**£'000**	%	%
2010	88	-	13	9	**110**	0.0	-
2011	92	-	14	20	**126**	14.5	-
2012	92	-	16	20	**128**	1.6	-
2013	92	-	17	15	**124**	(3.1)	-
2014	94	-	12	15	**121**	(2.4)	-
2015	101	28	12	16	**157**	29.8	100
2016	102	21	13	17	**153**	(2.5)	81
2017	111	31	15	16	**173**	13.1	100
2018	116	32	16	16	**180**	4.0	100
2019	122	-	17	17	**156**	(13.3)	-

Recommended practice is to exclude pension benefits from the above table. However, because the Chief Executive sacrifices part of his salary for a payment into his pension fund, to exclude this element could be misleading.

The short term performance related remuneration element was only introduced in 2015. Since then the maximum amount that could be earned in each year was 25% of the Chief Executive's salary.

The remuneration for the Chief Executive over this ten year period is as follows:

Chief Executive's Remuneration



The Remuneration of the Chief Executive has reduced by 13.3% in the year (2018: an increase of 4.0%), compared to average increase for all Group employees of between 2% and 3% (2018: an increase of 2.3%). The level of base pay increase to other staff was taken into account by the Remuneration Committee when setting Directors' base salaries.

Directors' remuneration compared to certain other distributions are as follows:

	2019	2018	Percentage change
	£'000	£'000	%
Directors' remuneration	**664**	723	(8.2)
Other employee remuneration	**6,141**	5,930	3.6
Dividend payments to shareholders	**526**	489	7.6

Directors' remuneration

The remuneration paid to the Directors during the year, together with a comparison of the previous year, is as follows:

	Year ended 30 September	Salary and fees (a)	Benefits in kind	Short term performance related remuneration (b)	Pension benefits	Total
Executive Directors:		£'000	£'000	£'000	£'000	£'000
T N Anderson	**2019**	**96**	**7**	**-**	**7**	**110**
	2018	89	6	22	6	123
T D Gearey	**2019**	**58**	**7**	**-**	**28**	**93**
	2018	39	7	20	45	111
K A Ritchie	**2019**	**130**	**18**	**-**	**-**	**148**
	2018	127	16	30	-	173
D A Ruffell	**2019**	**122**	**17**	**-**	**17**	**156**
	2018	116	16	32	16	180
Non-executive Directors:						
J N Anderson	**2019**	**37**	**-**	**-**	**-**	**37**
	2018	37	-	-	-	37
N C Howlett	**2019**	**54**	**-**	**-**	**4**	**58**
	2018	23	-	5	34	62
K Sargeant (c)	**2019**	**37**	**-**	**-**	**-**	**37**
	2018	37	-	-	-	37
B Ratzke – appointed as Non-executive Director on 25 March 2019	**2019**	**25**	**-**	**-**	**-**	**25**
	2018	-	-	-	-	-
Totals	**2019**	**559**	**49**	**-**	**56**	**664**
	2018	468	45	109	101	723

(a) A 'salary sacrifice' system is in operation, where the Company makes a pension contribution on behalf of each Director, where applicable, and their salary is reduced by a corresponding amount.

(b) In accordance with the proposals adopted by shareholders, no performance related remuneration is payable to the Executive Directors for this period. The Remuneration Committee will consider the impact of the restatement of Titon Korea's revenues in earlier accounting periods when determining future payments.

(c) Inclusive of £37,455 relating to consultancy fees for 2019 (2018: £36,720).

The remuneration package of each Executive Director includes non-cash benefits comprising the provision of a company car. The aggregate gains made by Directors on the exercise of share options during 2019 were £nil (2018: £3,694).

Directors’ Remuneration Report (continued)

Directors and their interests in shares

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

		30 September 2019 Ordinary shares of 10p each	30 September 2018 Ordinary shares of 10p each (or date of appointment if later)
K A Ritchie	Executive Director and Chairman	**981,381**	978,212
D A Ruffell	Chief Executive	**118,500**	118,500
J N Anderson	Non-executive Director and Deputy Chairman	**1,737,802**	1,737,802
T N Anderson	Sales & Marketing Director	**693,750**	693,750
T D Gearey	I.T. Director	**20,500**	20,500
N C Howlett	Non-executive Director	**38,500**	38,500
K Sargeant	Non-executive Director	**10,000**	-
B Ratzke	Non-executive Director	**14,924**	-

There were no other changes in Directors’ beneficial shareholdings between 30 September 2019 and 18 December 2019.

Share options

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

		Exercise price per share	At 1 October 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	At 30 September 2019 Number
T N Anderson	(b)	58.0p	25,000	-	-	-	25,000
			25,000	-	-	-	25,000
T D Gearey	(c)	156.5p	18,000	-	-	-	18,000
			18,000	-	-	-	18,000
N C Howlett	(b)	58.0p	25,000	-	-	-	25,000
			25,000	-	-	-	25,000
K A Ritchie	(b)	58.0p	50,000	-	-	-	50,000
			50,000	-	-	-	50,000
D A Ruffell	(a)	48.0p	10,000	-	-	-	10,000
	(b)	58.0p	50,000	-	-	-	50,000
			60,000	-	-	-	60,000

Mr J N Anderson, Mr K Sargeant and Mr B Ratzke had no interests in options over shares during the year.

There have been no changes to the number of share options held by Directors between 30 September 2019 and 18 December 2019.

Share options (continued)

Share options are exercisable between the following dates:

(a)	9 June 2014	and	9 June 2021
(b)	15 January 2017	and	15 January 2024
(c)	30 January 2021	and	30 January 2028

The Directors may only exercise share options if the growth in the earnings per share of the Company over any period of three consecutive financial years of the Company following the date of grant, exceeds the growth in the retail price index over the same period by at least 9 per cent.

At 30 September 2019 the market price of the Company's shares was 130.0p. The range during the year was 112.5p to 206.0p.

Approval

The Directors' Remuneration Report was approved by the Remuneration Committee on 18 December 2019 and signed on its behalf by:

J N Anderson
Remuneration Committee Chairman

Corporate Governance Report

Chairman's Introductory Statement
I am pleased to present the Corporate Governance Report for the last financial year. As I have noted in the past, we take our corporate governance responsibilities very seriously. I can report to shareholders that we have applied the main principles of the Code throughout the financial period. As noted last year we have indicated that we currently intend to continue to apply the relevant version of the UK Corporate Governance Code now we are on AIM, where the Company's shares have been traded since 10 December 2018.

There have been no major changes to the UK Corporate Governance Code to report to shareholders during the financial period. As noted last year the 2018 Code made some significant changes to the 2016 Code concerning, inter alia, relations with a company's workforce and other stakeholders, the culture of the company, succession and diversity and remuneration policies. The 2018 Code is applicable to financial periods starting on or after 1 January 2019 so it will not have any application to Titon until the 2019/20 accounting period. Finally, I confirm that the Titon Audit Committee continues to have competence relevant to the sector in which the Company operates.

KA Ritchie
Chairman

Compliance with UK Corporate Governance Code

The Board is accountable to the Company's shareholders for good corporate governance and the statements set out in this report describe how the principles identified in the Code are applied by the Company. Titon's business approach is based on openness and high levels of accountability and there is a commitment to high standards of corporate governance throughout the Group. With an international presence, the Group acts in accordance with the national laws of the various countries in which it operates and encourages the highest standards of business practice and procedure.

As part of this commitment to maintaining high standards of corporate governance, the Board applies, where they are deemed appropriate, the principles of corporate governance set out in the Code as issued by the Financial Reporting Council ("FRC") in June 2016. The 2016 Code can be found on the FRC's website (www.frc.org.uk). Further explanation of how both the main provisions and the supporting provisions have been applied is set out below.

Please see the Audit Committee Report for a description of the main features of the internal control process and the risk management system in relation to the financial reporting process adopted by the Group. The disclosure of information on significant shareholdings in the Company is shown in the Directors' Report.

Under the 2016 Code the Directors are required to assess the viability of the Group. The Directors have reviewed the budgets, projected cash flows, principal risks and other relevant information for a period of 3 years from the balance sheet date. On the basis of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and to meet its liabilities as they fall due over the period of their assessment. The Directors consider that a period of 3 years is appropriate as the assumptions made in the review about market conditions are expected to remain valid over this period. The Directors have also carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, as documented in the Report on Risk Management on pages 13 to 17, which has informed the assessment of viability including in relation to matters such as Brexit.

The Directors consider that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group consolidated accounts are prepared by the Group Financial Controller and are reviewed by the Chief Executive. The review includes a detailed inspection of the accounts of all the constituent companies that comprise the Group along with the relevant consolidation adjustments and journals.

At the year-end the Group had four Executive Directors and four Non-executive Directors. Mr K Sargeant is deemed to be independent for the purposes of the Code. He has no other relationships or prior service for the Company or its shareholders. Mr N Howlett is also deemed to be independent for the purposes of the Code despite his previous service and role as an executive director of the Company due to his independence of character and judgment. Mr JN Anderson is not deemed to be independent as he is a significant shareholder and was a previous chairman of the Company. Mr B Ratzke is deemed to be independent for the purposes of the Code despite his previous service as Group Legal Counsel, due to his independence of character and judgement.

The Directors confirm that the Group was compliant with all relevant provisions of Sections A to E of the Code throughout the accounting period and up to the date of the Directors' Report except in the following areas:

- the Company's Audit Committee during the 2018/19 financial period comprises the Chairman, the Chief Executive and Mr K Sargeant and therefore the Company did not comply with paragraph C.3.1. The Directors considered that this structure was appropriate for a company of this size and complexity. The Directors consider that failure to comply with the Code in this respect poses no significant additional risk for shareholders and has no plans to comply with the provision in the short term. As noted above the Audit Committee has competence relevant to the sector in which the Company operates;

- the Company's Remuneration Committee did not consist exclusively of independent Non-executive Directors throughout the financial period and therefore did not comply with paragraph D.2.1. The Directors consider that failure to comply with the Code in this respect posed no significant additional risk for shareholders; and
- the Company's Nominations Committee did not comprise a majority of independent Non-executive Directors throughout the financial period and therefore did not comply with paragraph B.2.1. The Directors do not consider that failure to comply with the Code in this respect posed any significant additional risk for shareholders.

Composition and operation of the Board of Directors

As at 30 September 2019 the Board consisted of the Executive Chairman, the Chief Executive, two other Executive Directors and four Non-executive Directors.

The Board has a schedule of matters specifically reserved to it for decision including major capital expenditure decisions, business acquisitions and disposals and the setting of treasury policy. This also includes matters such as material financial commitments, commencing or settling major litigation and appointments to main and subsidiary company boards.

Scheduled Board meetings take place on a quarterly basis with further ad hoc meetings arranged as necessary. To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of comprehensive management reporting information and discussion documents regarding specific matters.

The individual attendance by Executive Directors and Non-executive Directors at the Board and principal Board Committee Meetings held during the financial year is shown in the table below.

	Main Board	**Remuneration Committee**	**Audit Committee**	**Nominations Committee**
Total meetings held	**7**	**1**	**2**	**1**
K A Ritchie	7	-	2	-
D A Ruffell	7	-	2	-
T N Anderson	7	-	-	-
T D Gearey	7	-	-	-
N C Howlett	6	-	-	-
K Sargeant	7	1	2	1
J N Anderson	7	1	-	1
B Ratzke*	3	-	-	-

* B Ratzke joined the Board on 25 March 2019

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

When new members are appointed to the Board, they are provided with advice from the Company Secretary in respect of their role and duties as a public company director. Furthermore, all Directors have ongoing access to the Company Secretary for advice during the course of their appointment.

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nominations Committee for endorsement by the Board as a whole.

Any Director appointed during the year is required, under the provisions of the Code, to retire and seek election by the shareholders at the next Annual General Meeting. The Articles of Association also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those in office longest since their previous re-election and in practice this means that each Director retires at least every three years, in accordance with the requirements of the Code. The Non-executive Directors will seek re-election at each Annual General Meeting.

The Directors who retire by rotation are Mr Tyson Anderson, Mr Tony Gearey, Mr John Anderson, Mr Kevin Sargeant, Mr Nicholas Howlett and Mr Bernd Ratzke. All six Directors, being eligible, offer themselves for re-election:

- Tyson Anderson has been with the Company since 1993 and was elected to the board of Titon Hardware Limited in 1999. Tyson joined the Board on 1 January 2004 as Marketing Director, was appointed Sales & Marketing Director on 1 February 2007 and has a service contract which has a notice period of six months;
- Tony Gearey joined Titon in 1985 and has held a number of positions within the Group since then. He is currently responsible for IT and for the operations of Titon Inc. and was appointed to the Board on 2 November 2016. He has a service contract which has a notice period of six months;

Corporate Governance Report (continued)

- John Anderson founded the Company in 1972 and was its Chairman until 2012 when he became a Non-executive Director. He holds the Chair of the Remuneration Committee and the Nominations Committee. He has a service contract which terminates at the 2020 Annual General Meeting unless he is re-elected;
- Kevin Sargeant joined the Board on 1 September 2016. He worked at Vent-Axia, a subsidiary of Smith Industries PLC, from 1990 until 2002 when Volution Holdings (comprising Vent-Axia) was created. Mr Sargeant led the buyout of Volution Holdings in the same year and was CEO of the newly named Volution Group until its sale to Towerbrook Private Equity and the management in 2012. Since then, he has held a number of senior strategic development roles with major companies in the ventilation sector and was Non-executive Chairman of Nuaire Ltd from November 2013 until its sale to Polypipe PLC in August 2015. Mr Sargeant qualified as a member of the Chartered Institute of Management Accountants in 1980. He has a service contract which terminates at the 2020 Annual General Meeting unless he is re-elected;
- Nicholas Howlett joined Titon in 1991 and has held a number of positions within the Group since then. He was appointed to the Board in 2002 and became a Non-executive Director with effect from 1 October 2017. He has a service contract which terminates at the 2020 Annual General Meeting unless he is re-elected;
- Bernd Ratzke joined the Titon Board in March 2019 following a career as a corporate lawyer in the City of London. He has a service contract which terminates at the 2020 Annual General Meeting unless he is re-elected.

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 any weekday (excluding public holidays), and will be available at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. All Executive Directors are subject to annual appraisals of their performance and membership of relevant board committees, as appropriate, during the financial year.

The Remuneration Committee

The Remuneration Committee Report is set out on pages 23 to 27. The Remuneration Committee's terms of reference, established by the Board, are to:

- determine and to keep under review the Group's policy on remuneration;
- determine the basic salaries and non-cash emoluments payable to all Executive Directors, including Executive Directors of subsidiary Group companies, giving due consideration to individual responsibility and performance and to salaries paid to Executive Directors of similar companies in comparable business sectors;
- select the performance targets for the Executive Directors' bonus arrangements;
- select the performance conditions relating to the Group's Share Option Schemes. Such performance conditions to be aimed to align Directors' interests to shareholder value;
- make recommendations to the Board of Directors on other matters relating to remuneration in the Group; and
- prepare an annual report on remuneration to the Company's shareholders for approval by the Board for submission to a vote of shareholders at the Company's Annual General Meeting and to advise the Board if it believes that, in any year, there are particular matters relating to remuneration which should be put to the Company's shareholders.

Communications with shareholders

The Board recognises the importance of communications with shareholders. The Strategic Report on pages 6 to 17 gives a detailed review of the business, and there is regular dialogue with institutional shareholders at the time of the Group's preliminary announcement of the year end results and at the half year.

The Group's results and other announcements are published on the London Stock Exchange RNS service and on the Company's website.

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

Nominations Committee

The Nominations Committee comprises the Deputy Chairman and Mr Sargeant. It is responsible for proposing candidates as Directors of Titon Holdings Plc for endorsement by the Board. The selection of suitable candidates will be based on the suitability of the person for the position regardless of age, ethnicity or gender. Candidates may be either internal or external and executive search consultants may be used in the process. The Nominations Committee has not met in the financial period under review.

The Corporate Governance Report was approved by the Board on 18 December 2019 and signed on its behalf by:

KA Ritchie
Chairman

Audit Committee Report

The Audit Committee reports to the Board on matters concerning the Group's internal financial controls, financial reporting and risk management systems, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Composition of the Audit Committee

The Audit Committee is appointed by the Board for a period of three years and comprises Mr K A Ritchie ACA and Mr D A Ruffell ACMA both of whom have financial reporting experience and Mr K Sargeant ACMA, who has extensive accounting experience from his time in industry and has joined the Audit Committee this year.

Role of the Audit Committee

The Audit Committee operates within defined terms of reference and its main functions are:

- to monitor the internal financial control and risk management systems on which the Group is reliant;
- to consider whether there is a need for the Group to have its own internal audit function;
- to monitor the integrity of the Group's financial statements and formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- to review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matter;
- to meet the independent Auditor of the Group to review their proposed audit programme of work and the subsequent Audit Report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- to make recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor, and to negotiate their remuneration and terms of engagement on audit and non-audit work; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

Review of financial statements and risks identified

Financial statements issued by the Company need to be fair, balanced and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Audit Committee has advised the Board that, in its opinion, the Annual Report and Financial Statements are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Company's unaudited interim results are also reviewed by the Audit Committee prior to their publication.

The Audit Committee assesses annually whether it is appropriate to prepare the Group's financial statements on a going concern basis, and makes its recommendation to the Board. The Board's conclusions are set out in the Directors' Report.

In planning its own work, and reviewing the audit plan of the Auditors, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Group's financial statements.

The Committee considers that the timing of revenue recognition is a significant area of risk to accurate financial reporting and ensures that necessary credit note provisions and warranty provisions are made. In relation to activities in South Korea, revenues are only recognised once the third party customer has accepted the successful installation of either the first fix or the second fix products into buildings rather than the delivery of such product from our factory.

The carrying value of the Group's assets is an area where the Committee places great emphasis. In particular, calculating the carrying value for the Group's inventory is a vital factor as the Group has a wide range of product lines that may fluctuate regularly in terms of their sales volumes. Consequently, every product line is assessed at the year-end to ensure that accurate provisions for obsolescence are made.

A significant risk considered by the Committee is the Group's investment in its South Korean business and in particular the accuracy of accounting information. The Committee manage this risk through senior management making regular trips to South Korea combined with the receipt of detailed monthly management accounts from Korea.

Internal audit

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

Internal control

The respective responsibilities of the Directors in connection with the financial statements are set out on pages 19 and 20, and those of the Auditors are detailed in the Independent Auditors' Report on pages 33 to 36.

The Audit Committee is responsible for ensuring that suitable internal controls systems to prevent and detect fraud and error are designed and is also responsible for reviewing the effectiveness of such controls. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in line with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, published in September 2014 and the FRC's Guidance on Audit Committees published in April 2016. This process has been in place for the year under review and up to the date of approval of this report, and accords with the guidance. In particular, the Committee has reviewed and updated the process for identifying and evaluating the significant risks affecting the Group and policies by which these risks are managed. The risks of any failure of such controls are identified in a Risk Matrix (set out in the Risk Management Report on pages 13 to 17) which is regularly reviewed by the Board and which identifies the likelihood and severity of the impact of such risks and the controls in place to mitigate the probability of such risks occurring.

Internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. They do not eliminate the risk of failure to achieve business objectives. The following are the key components which the Group has in place to provide effective internal control:

- an appropriate control environment through the definition of the organisation structure and authority levels;
- the identification of the major business risks facing the Group and the development of appropriate procedures and controls to manage these risks;
- a comprehensive budgeting and reporting system with monthly results compared with budgets and with previous years; and
- the principal aspects of the Group's internal control processes used in preparing the Group's consolidated accounts include second reviews of consolidation workings and Board review of the composition of the Group's financial information.

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal control and risk management and reviewing their effectiveness, which they have done during the year. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. Appropriate risk monitoring systems have been in place throughout the year and up to the date of approval of the Annual Report and have been regularly reviewed by the Board. The Report on Risk Management sets out the principal risks identified by the Directors, the potential impact and the mitigation measures which apply. No significant weaknesses have been identified in this report by the Directors during the year.

The Company has a shareholding in an associate company. Controls within this entity are not reviewed as part of the Company's formal review processes due to the local delegation of managerial responsibilities, but instead are reviewed as part of regular management process.

External audit process

The Audit Committee meets at least twice a year with the Auditor, who provides a planning report in advance of the annual audit and a report on the annual audit. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. No significant deficiencies were noted by the Auditor in respect of the period ended 30th September 2018. The Auditor extended its work in relation to revenue recognition in the current period in connection with both the transition to IFRS 15 and as a result of the identified prior year adjustment commented on in the Chairman's Statement.

After each audit, the Audit Committee reviews the audit process and considers its effectiveness.

Auditor assessment and independence

The Group's external auditor is BDO LLP, which has been the Group's auditor since 2006.

The Audit Committee also reviewed BDO's independence policies and procedures including quality assurance procedures and it was confirmed that those policies and procedures remained fit for purpose. During the current financial period, BDO provided corporate finance services to the Group in relation to the move to AIM. The team that carried out this work was not involved in any management decision making, did not give financial advice and has not been involved in any of the audit arrangements. The fee charged for this work amounted to £25,000. BDO also provided corporate finance services in respect of a potential acquisition that the Group wished to make but which was aborted. The team that carried out this work was not involved in any management decision making, did not give financial advice and has not been involved in any of the audit arrangements. The fee charged for this work amounted to £90,000. The Audit Committee does not consider that this work affected BDO's independence as auditor to the Group. Accordingly, the Audit Committee recommends that BDO should be reappointed as the Group's auditor for the next financial year and a resolution to that effect will be proposed at the 2020 AGM.

The fees for audit services provided by BDO for 2019 were £76,000 (2018: £69,000). The Audit Committee discussed the non-audit services provided by BDO during the year. The cost of non-audit services provided by the Auditor for the financial year ended 30 September 2019 was £91,000 (2018: £26,000).

K A Ritchie
Audit Committee Chairman
18 December 2019

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TITON HOLDINGS PLC

Opinion

We have audited the Financial Statements of Titon Holdings plc ("the Parent Company") and its subsidiaries (together "the Group") for the year ended 30 September 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity and the Group and Company Statements of Cash Flows, and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; or
- whether the Directors' statement relating to going concern made in accordance with the UK Corporate Governance Code is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

In our assessment of audit risk we determined that the timing of revenue recognition during the period immediately prior to and subsequent to the year-end gave rise to significant risk of material misstatement. We reached this conclusion having considered the possible management bias in recording of revenues. We refer to the revenue recognition accounting policy in note 1. We have considered the risk around revenue recognition to be enhanced in the year due to both the prior year adjustment pertaining to an error identified relating to revenue recognition in the Group's Korean subsidiary and associate, as described in note 25, and the first time adoption of IFRS 15 *Revenue from Contracts with Customers* in the period given the complexity of this standard.

The Group revisited its accounting policy for revenue on implementation of IFRS 15. In the absence of long term customer supply contracts or material elements of variable consideration, the group was able to make a clear determination of the nature of its contracts with customers, the performance obligations under those contracts and the consideration to be allocated. No material differences were identified in comparison to the previous accounting policies under IAS 18.

How we addressed the key audit matter in our audit
As a starting point, we examined the Group's terms of business with its customers to ensure that the accounting policy applied properly takes account of the point of transfer of control of promised goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. We evaluated whether the Group's application of IFRS 15 was appropriate with regard to a range of matters, including whether the Group's performance obligations were satisfied at a point in time or over time. In the Korean operations, the pattern of product delivery and entitlement to payment for performance of obligations indicates that recognition of revenue over time is most appropriate.

We sample tested the existence and completeness of sales recorded, and the point of the transfer of control of inventory though identification of the timing of delivery, invoicing and revenue recognition by sampling a number of transactions in the days prior to and subsequent to the year end as whether revenues recorded in the UK subsidiary and Korean associate were supported by appropriate delivery of inventory. Where unearned revenues related to future supply of inventory in the South Korean subsidiary and associate, we verified that the deferral of that revenue and, in relation to the associate, the related costs, was accurately recorded for both the prior year adjustment and the deferral at 30 September 2019.

Key observations
As a result of performing the above procedures, we did not identify any material misstatements.

Inventory: Valuation
We identified the valuation of the Group's inventory balance as carrying a heightened risk of material misstatement due to the use of significant management judgements in respect of provisions for slow moving and obsolete inventory. We refer to management's description of the accounting policies for inventory included in note 1, and the critical accounting estimates in this area included within note 2.

How we addressed the key audit matter in our audit
As part of our audit inventory provisioning, we confirmed that the report used by management to quantify historical usage of stock, used in calculating the slow-moving inventory provision, was accurate by agreeing a sample of aged inventory items to the last recorded invoice or movement of the stock. We also reperformed the calculation of the inventory that was slow moving and we discussions with management to understand and corroborate the assumptions applied in estimating inventory provisions. Furthermore, we inspected the condition of inventory at our physical inventory observations to ascertain whether additional provisions should be made.

Key observations
As a result of performing the above procedures, we did not identify any material misstatements.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the Financial Statements as a whole based on our understanding of the elements of the Financial Statements that are likely to be of greatest significance to users. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

We set materiality for the Financial Statements as a whole at £150,000 (2018: £210,000), being approximately 7% (2018: 7%) of the Group's profit before tax. We applied both a measure of performance materiality and component materiality to our Group audit, to ensure that our audit appropriately guarded against the risk that errors, when aggregated both within a component and across different components, may be material to the Financial Statements. The component performance materiality thresholds applied in the component audits ranged from £49,000 (2018: £70,000) at the Korean components to £97,500 (2018: £142,500) at Titon Hardware Limited.

For the purposes of our audit of the Parent Company Financial Statements, we set materiality at £110,000 (2018: £150,000) and performance materiality at £77,000 (2018: £105,000).

Our performance materiality levels were based on 70%-75% (2018: 70%-75%) of the respective materiality levels on balance of a number of factors including the nature of our audit approach including the extent of sample testing conducted, the degree of estimation inherent in the balances included in the Financial Statements and the expected level of errors.

We reported all misstatements we had identified which were greater than £3,000 (2018: £4,200) to the Audit Committee as well as qualitative matters, such as disclosure misstatements for the Parent Company greater than £2,200 (2018: £3,000).

An overview of the scope of our audit

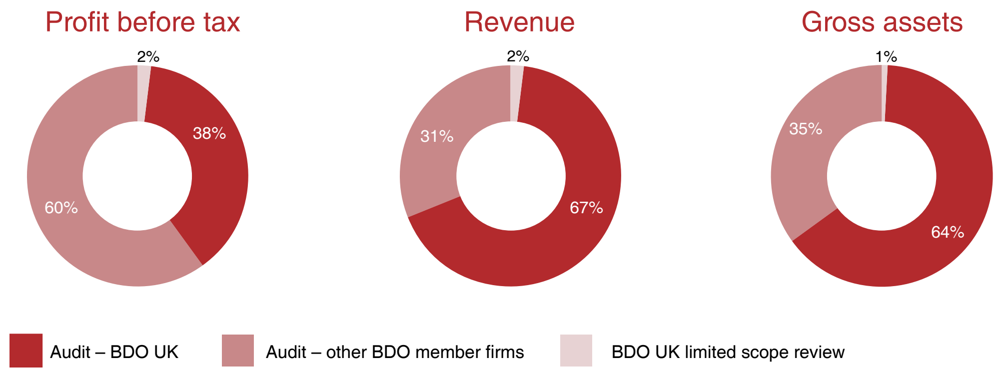
The Group conducts its operations principally within two main geographical regions, being Europe, through its UK subsidiary, Titon Hardware Ltd, and South East Asia, through its subsidiary Titon Korea Co. Ltd. Titon Korea Co. Ltd sells only to the Group's associate, Browntech Sales Co. Ltd, which distributes the Group's product to third parties, predominantly in South Korea. Full scope audits were performed on each of these entities by BDO LLP in relation to Titon Hardware Ltd and by BDO Korea in relation to Titon Korea Co. Ltd and Browntech Sales Co. Ltd. BDO UK conducted a full scope audit on the Parent Company.

In relation to the South Korean components, we were involved in the scoping, risk assessment and design of the audit plan and, with full access to the component auditor's working papers, we undertook a review of the results of the audit and conclusions formed both remotely from the UK and during a visit to South Korea to meet with the component auditor and component management.

The Group's North American subsidiary, Titon Inc., was evaluated as being a non-significant component on which we performed analytical procedures at group level along with targeted procedures on material balances where we considered it appropriate.

Our approach to the Group audit was set on the basis of our review of key financial metrics, which are shown below.

Other information



The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information, and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement relating to the company's compliance with the UK Corporate Governance Code containing provisions that would, for a company subject to the Listing Rules of the Financial Conduct Authority, be specified for review by the auditor in accordance with Listing Rule 9.8.10R(2), do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
18 December 2019

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

Consolidated Income Statement

for the year ended 30 September 2019

	Note	2019 £'000	2018 restated* £'000
Revenue	3	**27,157**	29,774
Cost of sales		**(18,959)**	(21,170)
Gross profit		**8,198**	8,604
Distribution costs		**(1,489)**	(1,454)
Administrative expenses		**(4,415)**	(4,707)
Research and development expenses		**(504)**	(446)
Transaction related expenses		**(181)**	-
Other income		**20**	19
Operating profit		**1,629**	2,016
Finance income	5	**12**	13
Share of post-tax profits from associate	13	**329**	741
Profit before tax	6	**1,970**	2,770
Income tax expense	7	**(186)**	(315)
Profit after income tax		**1,784**	2,455
Attributable to:			
Equity holders of the parent		**1,423**	2,007
Non-controlling interest		**361**	448
Profit for the year		**1,784**	2,455
Earnings per share attributed to equity holders of the parent:			
Basic	9	**12.84p**	18.21p
Diluted	9	**12.68p**	17.94p

* See note 25 for details regarding the restatement of prior year results

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2019

	2019 £'000	2018 restated* £'000
Profit for the year	**1,784**	2,455
Other comprehensive income - items which may be reclassified to profit or loss in subsequent periods:		
Exchange difference on retranslation of net assets of overseas operations	**(201)**	423
Total comprehensive income for the year	**1,583**	2,878
Attributable to:		
Equity holders of the parent	**1,323**	2,293
Non-controlling interest	**260**	585
	1,583	2,878

* See note 25 for details regarding the restatement of prior year results

The notes on pages 43 to 69 form part of these financial statements

Consolidated Statement of Financial Position

at 30 September 2019

	Note	30.9.19 £'000	30.9.18 restated* £'000	01.10.17 restated* £'000
Assets				
Property, plant and equipment	10	**3,799**	3,655	3,548
Intangible assets	11	**718**	737	638
Investments in associates	13	**2,894**	2,586	1,713
Deferred tax assets	16	**281**	348	375
Total non-current assets		**7,692**	7,326	6,274
Inventories	14	**4,884**	5,667	4,670
Trade and other receivables	15	**5,446**	7,799	6,644
Income tax receivable		**-**	12	79
Cash and cash equivalents	19	**4,587**	3,415	3,269
Total current assets		**14,917**	16,893	14,662
Total Assets		**22,609**	24,219	20,936
Liabilities				
Deferred tax liability	16	**83**	37	39
Total non-current liabilities		**83**	37	39
Trade and other payables	17	**4,793**	6,901	5,802
Income tax payable		**12**	154	63
Total current liabilities		**4,805**	7,055	5,865
Total Liabilities		**4,888**	7,092	5,904
Equity				
Share capital	18	**1,113**	1,113	1,098
Share premium reserve		**1,049**	1,049	985
Capital redemption reserve		**56**	56	56
Treasury shares		**(27)**	(27)	(27)
Foreign exchange reserve		**402**	502	216
Retained earnings		**13,669**	12,728	11,167
Total Equity attributable to equity holders of the parent		**16,262**	15,421	13,495
Non-controlling Interest		**1,459**	1,706	1,537
Total Equity		**17,721**	17,127	15,032
Total Liabilities and Equity		**22,609**	24,219	20,936

The notes on pages 43 to 69 form part of these financial statements.

*See note 25 for details regarding the restatement of prior year results.

These financial statements were approved and authorised for issue by the Board on 18 December 2019 and signed on its behalf by:

KA Ritchie
Chairman

Company Statement of Financial Position

at 30 September 2019

Company No. 01604952

	Note	30.9.19 £'000	30.9.18 £'000
Assets			
Property and motor vehicles	10	**1,987**	2,064
Investments in subsidiaries	12	**554**	554
Investments in associates	13	**225**	225
Total non-current assets		**2,766**	2,843
Trade and other receivables	15	**3,122**	2,806
Cash and cash equivalents	19	**1,494**	2,126
Total current assets		**4,616**	4,932
Total Assets		**7,382**	7,775
Liabilities			
Deferred tax	16	**134**	188
Total non-current assets		**134**	188
Trade and other payables	17	**85**	207
Total current liabilities		**85**	207
Total Liabilities		**219**	395
Equity			
Share capital	18	**1,113**	1,113
Share premium account		**1,049**	1,049
Capital redemption reserve		**56**	56
Treasury shares		**(27)**	(27)
Retained earnings		**4,972**	5,189
Total Equity		**7,163**	7,380
Total Liabilities and Equity		**7,382**	7,775

As permitted by section 408(3) of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. Titon Holdings Plc reported a profit after tax for the financial year ended 30 September 2019 of £246,000 (2018: profit £354,000).The notes on pages 43 to 69 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 18 December 2019 and signed on its behalf by:

KA Ritchie
Chairman

Consolidated Statement of Changes in Equity

at 30 September 2019

	Share capital	Share premium reserve	Capital redemption reserve	Foreign exchange reserve	Treasury shares	Retained earnings	**Total**	Non-controlling interest	**Total Equity restated***
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 30 September 2017 (as previously stated)	**1,098**	**985**	**56**	**216**	**(27)**	**11,887**	**14,215**	**1,986**	**16,201**
Restatement of post-tax profit for prior years *	-	-	-	-	-	(720)	**(720)**	(449)	**(1,169)**
30 September 2017 and at 1 October 2017 (as restated)	**1,098**	**985**	**56**	**216**	**(27)**	**11,167**	**13,495**	**1,537**	**15,032**
Translation differences on overseas operations	-	-	-	286	-	-	**286**	137	**423**
Profit for the year	-	-	-	-	-	2,007	**2,007**	448	**2,455**
Total Comprehensive Income for the year*	-	-	-	286	-	2,007	**2,293**	585	**2,878**
Dividends paid	-	-	-	-	-	(489)	**(489)**	-	**(489)**
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	**-**	(416)	**(416)**
Share-based payment expense	-	-	-	-	-	43	**43**	-	**43**
Ordinary shares issued	15	64	-	-	-	-	**79**	-	**79**
At 30 September 2018 (as restated)	**1,113**	**1,049**	**56**	**502**	**(27)**	**12,728**	**15,421**	**1,706**	**17,127**
Accounting policy change IFRS 9	-	-	-	-	-	(19)	**(19)**	(19)	**(38)**
At 1 October 2018	**1,113**	**1,049**	**56**	**502**	**(27)**	**12,709**	**15,402**	**1,687**	**17,089**
Translation differences on overseas operations	-	-	-	(100)	-	-	**(100)**	(101)	**(201)**
Profit for the year	-	-	-	-	-	1,423	**1,423**	361	**1,784**
Total Comprehensive income for the year	-	-	-	(100)	-	1,423	**1,323**	260	**1,583**
Dividends paid	-	-	-	-	-	(526)	**(526)**	-	**(526)**
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	**-**	(488)	**(488)**
Share-based payment expense	-	-	-	-	-	63	**63**	-	**63**
At 30 September 2019	**1,113**	**1,049**	**56**	**402**	**(27)**	**13,669**	**16,262**	**1,459**	**17,721**

* See note 25 for details regarding the restatement of prior year results. The notes on pages 43 to 69 form part of these financial statements.

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value
Capital redemption	Amounts transferred from share capital on redemption of issued shares
Treasury shares	Weighted average cost of own shares held in Treasury
Foreign exchange reserve	Cumulative gains/losses arising on retranslating the net assets of overseas operations into Sterling
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

Company Statement of Changes in Equity

at 30 September 2019

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total Equity £'000**
At 1 October 2017	**1,098**	**985**	**56**	**(27)**	**5,281**	**7,393**
Profit for the year	-	-	-	-	354	**354**
Total Comprehensive Income for the year	-	-	-	-	354	**354**
Dividends paid	-	-	-	-	(489)	**(489)**
Share-based payment expense	-	-	-	-	43	**43**
Ordinary shares issued	15	64	-	-	-	**79**
At 30 September 2018	**1,113**	**1,049**	**56**	**(27)**	**5,189**	**7,380**
Profit for the year	-	-	-	-	246	**246**
Total Comprehensive Income for the year	-	-	-	-	246	**246**
Dividends paid	-	-	-	-	(526)	**(526)**
Share-based payment expense	-	-	-	-	63	**63**
At 30 September 2019	**1,113**	**1,049**	**56**	**(27)**	**4,972**	**7,163**

The notes on pages 43 to 69 form part of these financial statements.

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value
Capital redemption	Amounts transferred from share capital on redemption and cancellation of issued shares
Treasury shares	Weighted average cost of own shares held in Treasury
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

Group and Company Statement of Cash Flows

for the year ended 30 September 2019

	Group		Company	
	2019	2018 restated*	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash generated from operating activities				
Profit / (loss) before tax	**1,970**	2,770	**(288)**	(78)
Depreciation of property, plant & equipment	**543**	448	**77**	75
Amortisation of intangible assets	**228**	209	**-**	-
Profit on sale of plant & equipment	**-**	(16)	**-**	(7)
Share based payment expense – equity settled	**63**	43	**63**	43
Finance income	**(12)**	(13)	**(7)**	(9)
Share of associate's post-tax profit	**(329)**	(741)	**-**	-
	2,463	2,700	**(155)**	24
Decrease / (increase) in inventories	**690**	(836)	**-**	-
Decrease / (increase) in receivables	**2,153**	(890)	**(316)**	96
(Decrease) / increase in payables and other current liabilities	**(2,033)**	964	**(122)**	59
Cash generated / (used) in operations	**3,273**	1,938	**(593)**	179
Income taxes paid	**(203)**	(132)	**-**	-
Net cash generated / (used) in operating activities	**3,070**	1,806	**(593)**	179
Cash flows from investing activities				
Purchase of plant & equipment	**(694)**	(578)	**-**	(25)
Purchase of intangible assets	**(209)**	(315)	**-**	-
Proceeds from sale of plant & equipment	**7**	46	**-**	7
Finance income	**12**	13	**7**	9
Dividends received from subsidiary companies	**-**	-	**480**	409
Net cash (used) / generated from investing activities	**(884)**	(834)	**487**	400
Cash flows from financing activities				
Exercise of share options	**-**	79	**-**	79
Dividends paid to equity shareholders of the parent	**(526)**	(489)	**(526)**	(489)
Dividends paid to non-controlling shareholders of a subsidiary	**(488)**	(416)	**-**	-
Cash withdrawn from treasury deposit accounts	**900**	300	**900**	300
Net cash (used) / generated from financing activities	**(114)**	(526)	**374**	(110)
Net increase in cash (including movement on treasury deposits)**	**2,072**	446	**268**	469
Cash at beginning of the year (excluding treasury deposits)	**2,515**	2,069	**1,226**	757
Cash at end of the year (excluding treasury deposits)	**4,587**	2,515	**1,494**	1,226

* See note 25 for details regarding the restatement of prior year results

The Group cash and cash equivalents figure on the Consolidated Statement of Financial Position includes both the cash at the year end and the cash on treasury deposit of £nil (2018: £900,000) and totals £4,587,000 at 30 September 2019 (2018: £3,415,000). See Note 19.

**The net increase in Group cash including the movements on treasury deposits for the year is £1,172,000 (2018: £146,000).

The notes on pages 43 to 69 form part of these financial statements.

Notes to the Consolidated Financial Statements
at 30 September 2019

General information

The consolidated financial statements of the Group for the year ended 30 September 2019 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group").

Titon Holdings Plc shares are publicly traded on the AIM market of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 6. The consolidated financial statements were authorised for release on 18 December 2019.

1 - Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs and IFRIC interpretations) and issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

During the period, the following new standards, amendments and interpretations to existing standards were published. The impact on the reported results of the Group following the adoption of IFRS 15 and 9 are noted in the section below.

i New IFRS standards applied by the Group

Standards, interpretations and amendments to existing standards published and effective in the current financial year relevant to the Group:

- ***IFRS 15 Revenue from contracts with customers.*** *IFRS 15 sets out a single and comprehensive framework for revenue recognition. The guidance in IFRS 15 is considerably more detailed than previous IFRS's for revenue recognition (IAS 11 Construction Contracts and IAS 18 Revenue and associated Interpretations). An assessment of the impact of IFRS 15 has been completed, including a comprehensive review of the contracts that exist across the Group's revenue streams and the new standard applied.*

  The single performance obligation identified in all contracts with customers is the delivery of goods to customers. The performance obligation is satisfied either at the point in time when the customer receives the goods, when control passes on delivery, or in South Korea only, over time when initial and secondary activities are completed, that is, as first fix shipments receive customer acceptance that the product has been satisfactorily installed; and second fix shipments when they are provided to the customer.

  In carrying out the review, no differences were identified between the effects of using the risk and rewards approach to determining when to recognise revenue under IAS 18 and the passing of control over goods and services for satisfied performance obligations under IFRS 15. As a result no material changes have been identified.

- ***IFRS 9 Financial instruments.*** *IFRS 9 addresses the classification and measurement of financial assets and liabilities and replaces IAS 39. Among other things, the standard introduces a forward-looking credit loss impairment model whereby entities need to consider and take into account losses that may occur in the future (an "expected loss" model). The Board has considered the impact of the introduction of IFRS9 and determined that a reduction in Group reserves of £38,000 as at 30 September 2018 is necessary. This amount relates to a provision against amounts due from the Group's associate. No additional provisions are considered necessary for the transition of the Group's previous methodology to the expected credit loss approach.*

  The Group has implemented an expected credit loss impairment model with respect to trade receivables using the simplified approach. Trade receivables have been grouped on the basis of their shared risk characteristics and a provision matrix has been developed and applied to these balances to generate the loss allowance. The majority of the Group's receivables are companies supplying the UK and European window and door and mechanical ventilation markets and natural ventilation for the new build residential market in South Korea. The historic incidence of credit loss is low. There has therefore been no material adjustment as a result of transition from the previous bad debt provision under IAS 39 to the loss allowance under IFRS 9.

  As regards the treatment of expected credit losses in the Parent Company, the Board considers that there is limited prospect of a credit loss on balances due from group undertakings and therefore no credit loss provisions are currently necessary.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments – guidance now requires the same approach used for equity settled share based payments to be followed for cash settled share based payments.*

- *IFRIC 22 Foreign Currency Transactions and Advance Consideration. IFRIC 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (e.g. a prepayment or deferred income).*

1 - Summary of significant accounting policies (continued)

ii New IFRS standards not applied by the Group

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

The Group is currently concluding its project to assess the impact of IFRS 16 (Leases), which the Group will adopt in FY 2019-20. The principal impact of IFRS 16 will be to move the Group's operating leases, primarily in respect of property, onto the balance sheet, with a consequential increase in non-current assets and finance lease obligations. Operating lease charges included in Administrative Expenses will be replaced by depreciation and interest costs. IFRS 16 introduces a new category of non-current assets for 'right of use assets' associated with leases. At the date of initial application of IFRS 16 at 01/10/2019, the carrying value of the Group's right of use assets is estimated to be in the region of £710,000 with a corresponding lease liability being recognised at that date, with no net impact on total equity at that date.

Other than as described for the new IFRSs noted above, the Group does not believe that the adoption of these new standards or interpretations will have a material impact on the consolidated results or financial position of the Group.

	Effective date (periods beginning)
• *IFRS 16 Leases. This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates and replaces the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The amendments are now endorsed for use in the EU and effective for periods beginning on or after 1 January 2019.*	*1 January 2019*
• *IFRIC 23 Uncertainty over Income Tax Treatments. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The impact of this standard is currently under review.*	*1 January 2019*
• *Amendments to IFRS 9: Prepayment Features with Negative Compensation. The International Accounting Standard Board (IASB) has issued these amendments to IFRS 9 Financial Instruments to aid implementation. The amendment allows companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.*	*1 January 2019*

(b) Basis of consolidation

Subsidiaries

The Group's consolidated financial statements incorporate the financial statements of the Company (Titon Holdings Plc) and the entities controlled by the Company (its subsidiaries) made up to 30 September 2019. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the financial statements.

Non-controlling interests

A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests at the end of reporting period represent the non-controlling shareholders' portion of the fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling interests' portion of movements in equity since the date of the combination. Non-controlling interest is presented within equity, separately from the parent's shareholders' equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in deficit balance.

Associates

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

The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses. Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate.

Associates (continued)

The investors' share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of the investment in associates is subject to impairment in the same way as goodwill arising on a business combination (see accounting policy (h)).

Business combinations

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

(c) Foreign currency

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

On consolidation, the results of overseas operations are translated into Sterling, which is the presentational currency of the Company and Group, at rates approximating those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income.

Upon disposal of all overseas operations, exchange differences arising from the translation of the financial statements of foreign operations are recycled and taken to the consolidated income statement as part of the profit or loss on disposal. The Company has elected, in accordance with IFRS 1, that in respect of all foreign operations, any differences that have arisen before 1 October 2004 have been set to zero. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

More than 90% (2018: 89%) of sales from the Group's UK business are invoiced in Sterling.

(d) Property, plant and equipment

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

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

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

Freehold buildings	- 2% per annum straight line
Improvements to leasehold property	- 10% to 20% per annum straight line (or the lease term, if shorter)
Plant and equipment	- 10% to 33.3% per annum straight line
Motor vehicles	- 25% per annum straight line

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

(e) Intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see accounting policy (h)). Amortisation is charged to Administrative Expenses within the Consolidated Income Statement.

1 - Summary of significant accounting policies (continued)

i Goodwill

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

Goodwill is not subject to amortisation, but is tested for impairment annually. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

ii Internally generated intangible assets (development costs)

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

Expenditure on internally developed products is capitalised if all of the following can be demonstrated:

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

Development costs are amortised using the straight line method over their remaining estimated useful lives from the date that the products are available for sale to customers, which is normally between 3 and 5 years. The remaining useful lives of such development assets are assessed by the Directors annually.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in the consolidated income statement as incurred.

iii Computer software

Costs incurred on the acquisition of computer software are capitalised if they meet the recognition criteria of IAS 38 as described above. Computer software costs recognised as assets are written off over their estimated useful lives, which is normally between 3 and 10 years.

iv Other intangible assets

Other intangible assets arising on business combinations, including patents, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives, which is normally 5 years. The remaining useful lives of such assets are assessed by the Directors annually.

v Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Inventories

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

Raw materials and Bought In finished goods	- cost of purchase
Work in progress and manufactured finished goods	- cost of raw materials and labour, together with attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs to completion and disposal. A charge is made to the income statement for slow moving inventories. The charge is reviewed at each balance sheet date.

(g) Cash and cash equivalents

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

(h) Impairment

The carrying amount of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment losses are recognised in the income statement.

Reversals of impairment
Other than in respect of goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits
Share-based payment transactions
The Company provides share option schemes for Directors and for other members of staff.

In accordance with IFRS 2 – Share-based Payments, the fair value of the employee services received in exchange for the grant of options is recognised as an expense to the income statement over the vesting period of the option and the corresponding credit recognised to the Retained Earnings within equity. The Black-Scholes option pricing model has been used for calculating the fair value of the Group's share options. The Directors believe that this model is the most suitable for calculating the fair value of the equity based share options.

The fair value of the options is determined excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the Group revises its estimates of the number of option awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. No adjustment is made for failure to achieve market vesting conditions providing all other vesting conditions are met.

Pension costs
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions to the pension scheme are charged to the income statement in the year in which they become payable.

Accrued holiday pay
Provision is made at each balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date.

(j) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. They are discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

(k) Revenue
Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, settlement discounts, rebates and value added tax. A sale is recognised when control of the goods supplied has passed to the customer, which is upon the transport of the goods from the company's premises or in South Korea, upon customer acceptance of goods, staged over time, as first and second fix components are supplied and installed and at which point contractual entitlement to payment is established and the customer obtains control of the goods.

Note 1 (a) (i) above provides further discussion of the impact on transition to IFRS 15.

(l) Finance income
Finance income comprises interest receivable on funds invested.

(m) Corporation and deferred taxes
Tax on the profit or loss for the periods presented comprises current and deferred tax.

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

Deferred tax
Deferred tax is provided using the balance sheet liability method, using rates and laws enacted or substantively enacted at the balance sheet date, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided on goodwill that is not deductible for tax purposes or on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

1 - Summary of significant accounting policies (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(n) Leased assets

Operating leases represent leasing agreements that do not give rights approximating to ownership. Annual rentals are charged to the income statement on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total lease expense.

(o) Dividends

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

(p) Financial assets

The Group classifies its financial assets depending on the business model that they are used in and the nature of the cash flows they are expected to generate.

IFRS 9 replaced IAS 39 'Financial Instruments: Recognition and Measurement'. All financial instruments classified as loans and receivables under IAS 39 have been classified and measured at amortised cost under IFRS 9. IFRS 9 requires the Group to recognise expected credit losses ('ECL') whereby expected losses as well as incurred losses are provided for. The Group applies the simplified approach when determining ECL provisions for trade receivables. In making the assessment of credit risk and estimating ECL provisions, the Group uses reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed, and if the revised present value of cash flows is not significantly different from the carrying amount, no impairment is recorded.

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

(q) Financial liabilities

The Group holds only one class of financial liabilities, namely trade payables. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost.

(r) Treasury shares

Consideration paid or received for the purchase or sale of treasury shares is recognised directly in Equity - see page 40. The cost of treasury shares held is presented as a separate item ("Treasury shares"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is reflected in share premium.

2 - Critical accounting estimates and judgements

The Group makes estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of inventory

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

Depreciation of property, plant and equipment

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

Useful lives of intangible assets

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

3 - Revenue and segmental information

In identifying its operating segments, management generally follows the Group's reporting lines, which represent the main geographic markets in which the Group operates. The segment reporting below is shown in a manner consistent with the internal reporting provided to the Board, which is the Chief Operating Decision Maker (CODM). These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The Group operates in four main business segments which are:

Segment	**Activities undertaken include:**
United Kingdom	Sales of passive and powered ventilation products to housebuilders, electrical contractors and window and door manufacturers. In addition to this, it is a leading supplier of window and door hardware
South Korea	Sales of passive ventilation products to construction companies
North America	Sales of passive ventilation products to window and door manufacturers
All other countries	Sales of passive and powered ventilation products to distributors, window manufacturers and construction companies

Inter-segment revenue is transacted on an arm's length basis and charged at prevailing market prices for a specific product and market or cost plus where no direct comparative market price is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Research and development entity-wide financial expenses are allocated to the business activities for which R&D is specifically performed. Administration Expenses are currently allocated to operating segments in the Group's reporting to the CODM and include central and parent company overheads relating to Group management, the finance function and regulatory requirements.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The Group recognises revenue at a single point in time in its UK and US subsidiary. The nature of business practice at its South Korean subsidiary means that the Group recognises revenue there over time, this being at first fix and second fix stages. As invoicing for both first fix and second fix components usually takes place at the first fix stage, the revenue on the second fix products is deferred in the Financial Statements until the point that those second fix products are accepted by the customer.

Details of the deferred revenue movements during the year is as follows:

	2019	2018
	£'000	£'000
Deferred Revenue at beginning of year	**1,347**	1,175
Released in the year	**(1,327)**	(1,165)
Provided for in the year	**667**	1,337
Deferred Revenue at end of year	**687**	1,347

The deferred revenue noted above is the Group's only contract liability and is shown within Other Payables.

The Group has no material contract assets.

The total assets for the segments represent the consolidated total assets attributable to these reporting segments. Parent company results and consolidation adjustments reconciling the segmental results and total assets to the consolidated financial statements, are included within the United Kingdom segment figures stated in the remainder of this note 3.

3 - Revenue and segmental information (continued)

Operating segment

The Directors' primary review of performance is by geographical regions.

For the year ended 30 September 2019	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	15,567	8,329	983	2,774	27,653
Inter-segment revenue	(496)	-	-	-	(496)
Total Revenue	**15,071**	**8,329**	**983**	**2,774**	**27,157**
Segment profit	**878**	**1,186**	**-**	**(94)**	**1,970**
Tax expense					(186)
Profit for the year					**1,784**
Depreciation and amortisation	706	65	-	-	771
Total assets	14,459	7,846	304	-	22,609
Total assets include: Investments in associates	2,669	-	-	-	2,669
Additions to non-current assets (other than financial instruments and deferred tax assets)	867	36	-	-	903

The South Korea Segment profit includes the Group's share of the profits from Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £329,000.

Sales to BTS of £8.33m represented 31% of Group Revenue (2018: £11.39m – 38%). There are no other concentrations of revenue above 10% during the year (see Note 24 - Related party transactions).

IFRS 8 requires entity wide disclosures to be made about the regions in which it earns its revenues and holds its non-current assets which are shown below.

For the year ended 30 September 2019	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	17,845	-	983	8,329	-	27,157
By country from which derived	15,073	2,742	983	8,329	30	27,157
Non-current assets						
By entities' country of domicile	4,642	-	30	3,020	-	7,692

3 - Revenue and segmental information (continued)

Operating segment

For the year ended 30 September 2018 (restated)*	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	15,221	11,389	652	2,941	30,203
Inter-segment revenue	(429)	-	-	-	(429)
Total Revenue	**14,792**	**11,389**	**652**	**2,941**	**29,774**
Segment profit	**1,005**	**1,875**	**(109)**	**(1)**	**2,770**
Tax expense					(315)
Profit for the year					**2,455**
Depreciation and amortisation	607	49	1	-	657
Total assets	14,087	9,894	238	-	24,219
Total assets include: Investments in associates	2,586	-	-	-	2,586
Additions to non-current assets (other than financial instruments and deferred tax assets)	889	4	-	-	893

The South Korea Segment profit includes the Group's share of the profits from Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £778,000.

Sales to BTS of £11.39m represented 38% of Group Revenue (2017: £9.53m – 34%). There are no other concentrations of revenue above 10% during the year (see Note 24 - Related party transactions).

IFRS 8 requires entity wide disclosures to be made about the regions in which it earns its revenues and holds its non-current assets which are shown below.

For the year ended 30 September 2018 (restated*)	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	17,733	-	652	11,389	-	29,744
By country from which derived	14,792	2,804	652	11,389	137	29,744
Non-current assets						
By entities' country of domicile	4,439	-	23	2,864	-	7,326

* See note 25 for details regarding the restatement of prior year results

3 - Revenue and segmental information (continued)

Information about the Group's products

Within geographical segments the Directors also monitor the revenue performance of the Group within its two identified business streams. The Group's operations are separated between trickle ventilation and window and door hardware products and mechanical ventilation products. The following table provides an analysis of the Group's external revenue, irrespective of the geographical region of sale.

	2019	2018
	£'000	£'000
Trickle ventilation and window and door hardware products	**20,134**	23,022
Mechanical ventilation products	**7,023**	6,752
Revenue	**27,157**	29,774

4 - Directors and employees

	Group		**Company**	
	2019	2018	**2019**	2018
Staff costs, including Directors, were as follows:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**6,281**	6,224	**317**	352
Employer's social security costs and similar taxes	**598**	712	**39**	57
Defined contribution pension cost	**525**	429	**16**	6
Share based payment expense – equity settled	**63**	43	**6**	4
	7,467	7,408	**378**	419

	Group		**Company**	
	2019	2018	**2019**	2018
The average monthly number of employees during the year was as follows:	**Number**	Number	**Number**	Number
Manufacturing	**144**	149	**-**	-
Sales, marketing and administration	**73**	77	**5**	5
	217	226	**5**	5

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 23 to 27.

5 - Finance income

Group	**2019**	2018
	£'000	£'000
Bank interest receivable on short term deposits	**12**	13

6 - Profit before tax

	2,019 £'000	2,018 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**543**	448
Amortisation of intangible assets	**228**	209
Research and development expenditure written off	**504**	446
Operating lease rentals - land and buildings	**214**	196
Operating lease rentals - vehicles and plant & equipment	**138**	122
Foreign exchange (gains) / losses	**(39)**	12
Share-based payment expense	**63**	43
Profit on disposal of fixed assets	**-**	(16)
Auditors' remuneration:		
- for the audit of these accounts	**13**	13
- for the audit of those accounts of the Company's subsidiaries	**63**	56
- for the audit of the accounts of the Group's associate	**13**	13
- non-audit services - comprising corporate finance services; see page 32	**90**	25
- non-audit services - comprising other assurance services	1	1

7 - Tax expense

		2019 £'000	2018 restated* £'000
Current income tax:			
Corporation tax expense		**(73)**	(307)
Adjustment in respect of prior years		**-**	17
		(73)	(290)
Deferred tax:			
Origination and reversal of temporary differences	Note 16	**(113)**	(25)
Income tax expense		**(186)**	(315)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019	2018
Profit before tax	**1,970**	2,770
Effect of:		
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	**(374)**	(526)
Additional deduction for R&D expenditure	**148**	148
Effect of Associate's results reported net of tax	**63**	144
Expenses deductible / (not deductible) for tax purposes	**25**	(31)
Difference in overseas tax rates	**(48)**	(67)
Adjustments in respect of prior periods	**-**	17
Income tax expense	**(186)**	(315)

* See note 25 for details regarding the restatement of prior year results

The tax rate in the United Kingdom, being the primary economic environment in which the Group conducts its business is 19% from 1 April 2017. In 2015 the UK government announced legislation setting the Corporation Tax main rate at 19% for 2019 and at 18% for the year starting 1 April 2020. In 2016, the UK government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

Notes to the Consolidated Financial Statements
at 30 September 2019

8 - Dividends

	2019	2018
	£'000	£'000
Final 2018 dividend of 3.00 pence (2017: 2.70 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**332**	295
Interim dividend of 1.75 pence (2018: 1.75 pence) per ordinary share paid during the year	**194**	194
	526	489

The Directors are proposing a final dividend of 3.0 pence (2018: 3.0 pence) per share. This will result in a final dividend totalling £332,512 (2018: £332,512), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

9 - Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

	2019	2018
		restated*
Numerator	**£'000**	£'000
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	**1,423**	2,007
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**11,083,750**	11,024,243
Effect of dilutive potential ordinary shares: share options	**142,560**	165,212
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,226,310**	11,189,455
Earnings per share (pence)		
Basic	**12.84p**	18.21p
Diluted	**12.68p**	17.94p

* See note 25 for details regarding the restatement of prior year results

The total number of options in issue is also disclosed in note 23.

10 - Property, plant and equipment

Group	Freehold land and buildings	Improvements to leasehold property	Plant and equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	3,455	1	7,667	372	11,495
Additions	-	63	443	72	578
Disposals	-	-	(678)	(101)	(779)
At 1 October 2018	3,455	64	7,432	343	11,294
Additions	-	110	546	38	694
Disposals	-	-	(6)	(32)	(38)
At 30 September 2019	**3,455**	**174**	**7,972**	**349**	**11,950**
Depreciation					
At 1 October 2017	1,362	-	6,417	168	7,947
Charge for the year	64	-	308	76	448
Disposals	-	-	(676)	(80)	(756)
At 1 October 2018	1,426	-	6,049	164	7,639
Charge for the year	64	10	390	79	543
Disposals	-	-	(6)	(25)	(31)
At 30 September 2019	**1,490**	**10**	**6,433**	**218**	**8,151**
Net book value at 30 September 2019	**1,965**	**164**	**1,539**	**131**	**3,799**
At 30 September 2018	2,029	64	1,383	179	3,655
At 1 October 2017	2,093	1	1,250	204	3,548

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

At 30 September 2019, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £36,000 (2018: £178,000).

10 - Property, plant and equipment (continued)

Company	Freehold land and buildings	Motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 October 2017	3,455	55	3,510
Additions	-	25	25
Disposals	-	(28)	(28)
At 1 October 2018	3,455	52	3,507
Additions	-	-	-
Disposals	-	-	-
At 30 September 2019	**3,455**	**52**	**3,507**
Depreciation			
At 1 October 2017	1,362	34	1,396
Charge for the year	64	11	75
Disposals	-	(28)	(28)
At 1 October 2018	1,426	17	1,443
Charge for the year	64	13	77
Disposals	-	-	-
At 30 September 2019	**1,490**	**30**	**1,520**
Net book value at 30 September 2019	**1,965**	**22**	**1,987**
At 30 September 2018	2,029	35	2,064
At 1 October 2017	2,093	21	2,114

11 - Intangible assets

Group	Computer software	Development costs (internally generated)	Goodwill	Patents	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	706	813	78	248	1,845
Additions	178	136	-	1	315
Disposals	(61)	(171)	-	-	(232)
At 1 October 2018	823	778	78	249	1,928
Additions	86	123	-	-	209
Disposals	(5)	-	-	-	(5)
At 30 September 2019	**904**	**901**	**78**	**249**	**2,132**
Amortisation					
At 1 October 2017	435	526	-	246	1,207
Charge for the year	69	139	-	1	209
Disposals	(54)	(171)	-	-	(225)
At 1 October 2018	450	494	-	247	1,191
Charge for the year	77	150	-	1	228
Disposals	(5)	-	-	-	(5)
At 30 September 2019	**522**	**644**	**-**	**248**	**1,414**
Net book value at 30 September 2019	**382**	**257**	**78**	**1**	**718**
At 30 September 2018	373	284	78	2	737
At 1 October 2017	271	287	78	2	638

All assets have an average useful economic life of 3.1 years (2018: 3.3 years) except for Goodwill which has an indefinite useful economic life.

Included within Computer Software is the Group's Enterprise Resource Planning software system which has a carrying value of £274,000 at 30 September 2019 (2018: £298,000) and a remaining amortisation period of 4 years (2018: 4 years).

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

Company

The Company has no intangible assets (2018: £nil)

Notes to the Consolidated Financial Statements
at 30 September 2019

12 - Investments in subsidiaries

Investments comprise direct shareholdings of the ordinary share capital in the following subsidiaries, all of which are included in the Consolidated Financial Statements. A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership is as follows:

Name of subsidiary	Principal activity	Country of incorporation	Address	Proportion of voting rights held at 30 September 2018 and 2019
Titon Hardware Ltd	Design, manufacture and marketing of window fittings and ventilators	England	894 The Crescent, Colchester Business Park, Colchester, CO4 9YQ	100%
Titon Automation Ltd	Dormant company	England	As above	100%
Titon Components Ltd	Dormant company	England	As above	100%
Titon Developments Ltd	Dormant company	England	As above	100%
Titon Investments Ltd	Dormant company	England	As above	100%
Titon Inc.	Distribution of Group products	USA	PO Box 241, Granger, Indiana 46530	100%
Titon Korea Co. Ltd	Manufacture of window ventilators	Republic of Korea	257-4 Ra-dong, Munwon-gil, Jori-eup, Paju-si, Gyeonggi-do	51%
Titon HK Holdings Ltd	Dormant company	Hong Kong, China	402 Jardine House, 1 Connaught Place Central	100%

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

Company Investment	**2019 £'000**	2018 £'000
At 30 September	**554**	554

13 - Investments in associates

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

Name of associate	Principal activity	Country of incorporation	Address	Proportion of voting rights held at 30 September 2018 and 2019
Browntech Sales Co. Ltd	Sales of window ventilators	Republic of Korea	257-4 Ra-dong, Munwon-gil, Jori-eup, Paju-si, Gyeonggi-do	49%

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

Company Investment	**2019 £'000**	2018 £'000
At 30 September	**225**	225

13 - Investments in associates (continued)

The aggregated amounts relating to BTS are as follows:

As at 30 September	2019	2018 restated*
	£'000	£'000
Current assets	11,943	13,876
Non-current assets	138	233
Total Assets	12,081	14,109
Current liabilities	6,577	9,234
Non-current liabilities	-	-
Total Liabilities	6,577	9,234
Net Assets	5,504	4,875
Group 49% share of Net Assets	2,697	2,389
Group investment in Goodwill	197	197
Group share of investment	2,894	2,586

For the year ended 30 September	2019	2018
	£'000	£'000
Revenue	12,960	17,860
Profit after tax	672	1,548

* See note 25 for details regarding the restatement of prior year results

BTS did not record any other comprehensive income for the years ended 30 September 2019 or 30 September 2018 in its own accounts, although the Consolidated Statement of Comprehensive Income includes £21,000 of other comprehensive expense for 2019 (2018: income £132,000). BTS has been included based on audited financial statements drawn up for the year to 30 September 2019. Transactions between it and the Group are set out in note 24.

The Group's investment in BTS at 30 September 2019 includes £197,000 (2018: £197,000) of goodwill.

14 - Inventories

Group	2019	2018
	£'000	£'000
Raw materials and consumables	2,144	1,476
Work in progress	581	493
Finished goods and goods for resale	2,159	3,698
	4,884	5,667

No inventories (2018: £nil) are carried at fair value less costs to sell.

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net debit of £48,000 (2018: net debit of £169,000) to the Consolidated Income in relation to the inventory provisions. The movements in the inventory provisions are included within cost of sales in the Consolidated Income Statement. The value of inventory that has been recognised in cost of sales over the year is £18,959,000 (2018: £21,170,000).

Company

The Company had no inventories at 30 September 2019 (2018: £nil).

15 - Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade receivables	**2,951**	3,043	**-**	-
Less: provision for impairment	**(48)**	(53)	**-**	-
Trade receivables - net	**2,903**	2,990	**-**	-
Related parties receivables	**2,010**	4,059	**3,117**	2,794
Less: provision for impairment	**(35)**	-	**-**	-
Related parties receivables (See Note 24)	**1,975**	4,059	**3,117**	2,794
Other receivables	**300**	382	**1**	12
Prepayments and accrued income	**268**	368	**4**	-
Total trade and other receivables	**5,446**	7,799	**3,122**	2,806

Other than the amounts due from related parties there were no significant concentrations of credit risk at either 30 September 2019 or 30 September 2018.

The average credit period taken on sale of goods by the Group's trade debtors is 64 days (2018: 77 days).

Trade debtors included in the balance sheet are stated net of expected credit loss (ECL) provisions which have been calculated using a provision matrix grouping trade receivables on the basis of their shared credit risk characteristics. An analysis of the provision held against trade debtors is set out below:

	Group		Group	
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
	Gross trade and related party receivables	**Loss provision (ECL)**	Gross trade and related party receivables	Loss provision (ECL)
Current – not overdue	**3,916**	**(47)**	5,637	(11)
Up to 30 days past due	**913**	**(13)**	1,106	(12)
Up to 60 days past due	**77**	**(8)**	254	(3)
Up to 90 days past due	**52**	**(12)**	75	(2)
Over 90 days past due	**3**	**(3)**	30	(25)
	4,961	**(83)**	7,102	(53)

Of the £83,000 ECL provision, £35,000 (2018: £nil) relates to amounts due from the Group's associate. See note 13. There has been no assessed significant increase in credit risk over the period.

The main factors considered in determining the level of the loss provisions set are external customer credit ratings information, prevailing market and economic conditions and the historic levels of losses experienced by the Group.

There are no indications as at 30 September 2019 that the debtors will not meet their payment obligations in respect of the amount of trade and related party receivables recognised in the balance sheet that are overdue and unprovided. The proportion of trade debtors at 30 September 2019 that are overdue for payment is 21% (2018: 21%).

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

15 - Trade and other receivables (continued)

Group

Movements on the provision for impairment of trade and related party receivables are as follows:	**2019** **£'000**	2018 £'000
At the beginning of the year	**53**	81
Provision for receivables impairment	**105**	31
Receivables written off during the year as uncollectible	**(23)**	(18)
Unused amounts reversed	**(52)**	(41)
At the end of the year	**83**	53

16 - Deferred tax

Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17.0% (2018: 17.0%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2018 restated*	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2019**	Liability 2019 UK	Asset 2019 Non-UK
	£'000	£'000	£'000	**£'000**	£'000	£'000
UK accelerated capital allowances	(247)	-	(48)	**(295)**	(295)	-
UK other temporary and deductible differences	89	-	13	**102**	102	-
Non-UK other temporary and deductible differences	235	-	23	**258**	-	258
UK available losses	210	-	(100)	**110**	110	-
Non-UK available losses	24	-	(1)	**23**	-	23
Total deferred tax	**311**	**-**	**(113)**	**198**	**(83)**	**281**

	Total deferred tax at 1 October 2017 restated*	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2018 restated***	Asset 2018 UK	Liability 2018 Non-UK
	£'000	£'000	£'000	**£'000**	£'000	£'000
UK accelerated capital allowances	(283)	36	-	**(247)**	(247)	-
UK other temporary and deductible differences	106	(15)	(2)	**89**	89	-
Non-UK other temporary and deductible differences	220	(1)	16	**235**	-	235
UK available losses	293	(37)	(46)	**210**	210	-
Non-UK available losses	-	-	24	**24**	-	24
Total deferred tax	**336**	**(17)**	**(8)**	**311**	**52**	**259**

* See note 25 for details regarding the restatement of prior year results

There are no unrecognised deferred tax assets at 30 September 2018 or 30 September 2019.

16 - Deferred tax (continued)

Company

Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 17.0% (2018: 17.0%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2018	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2019**	Liability 2019 UK
	£'000	£'000	£'000	**£'000**	£'000
UK Accelerated capital allowances	(240)	-	12	**(228)**	(228)
UK other temporary and deductible differences	43	-	(17)	**26**	26
UK available losses	9	-	59	**68**	68
Total deferred tax	**(188)**	**-**	**54**	**(134)**	**(134)**

	Total deferred tax at 1 October 2017	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2018**	Liability 2018 UK
	£'000	£'000	£'000	**£'000**	£'000
UK Accelerated capital allowances	(276)	35	1	**(240)**	(240)
UK other temporary and deductible differences	55	(7)	(5)	**43**	43
UK available losses	10	(1)	-	**9**	9
Total deferred tax	**(211)**	**27**	**(4)**	**(188)**	**(188)**

17 - Trade and other payables - current

	Group		**Company**	
	2019	2018 restated*	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade payables	**2,433**	3,438	**-**	-
Other payables	**364**	487	**-**	-
Other tax and social security taxes	**576**	516	**-**	-
Accruals	**1,420**	2,460	**85**	207
	4,793	6,901	**85**	207

* See note 25 for details regarding the restatement of prior year results

Group trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year-end Group trade creditors represent 48 days (2018: 55 days) average purchases. The contractual maturities of these liabilities are from 30 days up to approximately 100 days.

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

18 - Share capital

Authorised	**2019** **£'000**	2018 £'000
13,600,000 ordinary shares of 10p each	**1,360**	1,360

The Company's issued and fully paid ordinary shares of 10p during the year is:

	2019 **Number**	**2019** **£'000**	2018 Number	2018 £'000
At the beginning of the year	**11,133,750**	**1,113**	10,983,750	1,098
Share options exercised during the year	**-**	**-**	150,000	15
At the end of the year	**11,133,750**	**1,113**	11,133,750	1,113

Treasury shares held by the Group	**2019** **Number**	**2019** **£'000**	2018 Number	2018 £'000
At the beginning of the year	**50,000**	**27**	50,000	27
Treasury shares purchased	**-**	**-**	-	-
At the end of the year	**50,000**	**27**	50,000	27

Treasury shares held by the Group were acquired in July 2014. The Group has no current plans to dispose of these.

Share options

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

Date granted	Exercise price	Number of shares	Exercisable between		
09.06.11	48.0p	10,000	09.06.14	and	09.06.21
15.01.14	58.0p	200,000	15.01.17	and	15.01.24
30.01.18	156.5p	205,000	30.01.21	and	30.01.28
At 30 September 2019		**415,000**			
At 30 September 2018		415,000			

No share options were exercised between 30 September 2019 and 18 December 2019.

19 - Cash and cash equivalents

Financial assets

The Group has floating rate financial assets which comprise treasury deposits, cash to finance its operations together with the retained profits generated by operating companies (refer to the 'Financial Assets' note 1(p) on page 48 for further details).

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

The Group's floating rate financial assets (see below) at 30 September were:

	Group		Company	
	2019	2018	**2019**	2018
Currency	**£'000**	£'000	**£'000**	£'000
Sterling	**2,893**	2,622	**1,494**	2,126
US Dollar	**518**	422	**-**	-
Euro	**138**	331	**-**	-
South Korean Won	**1,038**	40	**-**	-
	4,587	3,415	**1,494**	2,126

The Sterling financial assets comprises cash held on current account as well as fixed term deposits with banks.

The Group's cash and floating rate financial assets at 30 September comprise:

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Bank current accounts	**4,587**	2,515	**1,494**	1,226
Fixed term treasury deposits	**-**	900	**-**	900
	4,587	3,415	**1,494**	2,126

The floating term deposits with banks had a weighted average interest rate of 0.55% (2018: 0.43%).

Financial liabilities

The Group had no floating rate financial liabilities at 30 September 2019 (2018: £nil). Any liability is offset against bank deposits for the purposes of interest payment calculation. The Board considers the fair value of the Group's financial assets and liabilities to be the same as their book value.

20 - Financial instruments – risk management

The Group is exposed through its operations to credit risk, foreign exchange risk and liquidity risk.

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note, read in conjunction with the 'Capital Management' section of the Directors' Report on page 19, and the Report on Risk Management on pages 13 to 17 describe the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Audit Committee reviews and reports to the Board on the effectiveness of policies and processes put in place. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out on pages 31 and 32.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risks arise are trade receivables, cash at bank, bank overdrafts, trade and other payables and loans to related parties (see Notes 15, 17 and 19).

20 - Financial instruments – risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer, associate company or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts along with local business practices.

The Group's finance function has established a credit policy under which each new customer is analysed individually for credit-worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and trade references. Purchase limits are established for each customer, which represents the maximum open amount without requiring senior management's approval. These limits are reviewed on an on-going basis. Customers that fail to meet the Group's benchmark credit-worthiness may transact with the Group on a prepayment basis.

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

Quantitative disclosures of the credit risk exposure in relation to Trade and other receivables are provided in note 15.

Liquidity risk

Liquidity risk arises from the Group's management of working capital in that the Group may encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due (see Note 17). To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of 90 days or longer. The Board receives cash flow projections as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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

Foreign exchange risk

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

Foreign exchange risk also arises when individual Group entities enter into transactions denominated in a currency other than their functional currency.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily Sterling, US Dollar or South Korean Won) with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group has two overseas subsidiaries in the USA and South Korea. Their revenues and expenses, other than those incurred with the UK business, are primarily denominated in their functional currency. The Board does not believe that there are any significant risks arising from the movements in exchange rates with these companies due to the insignificance to the Group of Titon Inc.'s net assets and the long term nature of the Group's investment in Titon Korea.

The UK businesses make purchases from approximately twenty overseas suppliers who invoice in the local currency of that supplier. This, in addition to the Euro and US Dollar cash balances held in the UK and the 10% of sales from the UK businesses not invoiced in Sterling, gives rise to foreign currency exposure which is detailed in the table below.

20 - Financial instruments – risk management (continued)

As of 30 September the Group's UK net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets / (liabilities)	**2019**	2018
	£'000	£'000
Euro	**(178)**	28
US Dollar	**624**	335
Total net exposure	**446**	363

The effect of a 10% weakening of the Euro and the US Dollar against Sterling at the reporting date of 30 September 2019 on these denominated trade and other receivables, trade and other payables and cash balances carried at that date would, had all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £40,000 (2018: decrease of £33,000). A 10% strengthening in the exchange rate would, on the same basis, have increased pre-tax profit and increased net assets by £44,000 (2018: increase of £36,000).

21 - Leases

Operating leases

The Group leases its headquarters offices in Colchester Business Park, Colchester, Essex on a tenant repairing lease basis. The Group has the option to terminate the lease in August 2021 or to continue in occupation until August 2026. The Group has tenancy of three factory unit leases in South Korea which expire in February 2020. The Group also leases cars as lessee under non-cancellable operating leases with various terms, escalation clauses and renewal rights.

At the year end the Group had total commitments under non-cancellable operating leases, principally in respect of properties, as set out below:

	2019	2018
Operating lease rentals payable within:	**£'000**	£'000
Not later than one year	**89**	16
Later than one year and not later than five years	**196**	529
Later than five years and not later than ten years	**446**	-
	731	545

22 - Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 4). The unpaid contributions outstanding at the year end, included in accruals (note 17) are £36,000 (2018: £30,000).

23 - Share-based payments

Equity settled share option schemes

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

There are presently two equity settled share option schemes; one HMRC approved and the other unapproved in which employees may be invited to participate. Both of these schemes were introduced in March 2010. The exercise of options granted under these schemes is dependent upon the growth in the earnings per share of the Group, over any three consecutive financial years following the date of grant, exceeding the growth in the retail price index over the same period by at least 9 per cent.

The vesting period of all share option schemes is three years. If the options remain unexercised after a period of ten years from the date of grant, or on an employee leaving the Group, the options expire.

23 - Share-based payments (continued)

In the year to 30 September 2019 no share options were granted (2018: 205,000). Details of the share options granted and exercised during the year and the assumptions used in the Black-Scholes model for each share-based payment are as follows:

Date of share option grant	09/06/11	03/01/13	15/01/14	05/01/15	30/01/18	Number of share options
Exercise price (pence)	48.0	24.5	58.0	67.0	156.5	
Number of share options granted initially	259,950	203,000	320,000	25,000	205,000	
Number of share options outstanding at 01/10/18	**90,000**	**5,000**	**240,000**	**25,000**	**-**	**360,000**
Share options exercised	-	-	-	-	205,000	205,000
Share options lapsed	(80,000)	(5,000)	(40,000)	(25,000)	-	(150,000)
Number of share options outstanding at 30/09/18	**10,000**	**-**	**200,000**	**-**	**205,000**	**415,000**
Share options granted	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-
Number of share options outstanding at 30/09/19	**10,000**	**-**	**200,000**	**-**	**205,000**	**415,000**
The inputs to the Black-Scholes pricing model are:						
Expected volatility %	111	114	116	102	88	
Expected option life (years)	6	6	6	6	6	
Risk free rate %	2.50	1.08	2.18	1.28	1.13	
Expected dividend yield %	5	5	5	5	3	
Weighted fair value of options at initial grant	£75,000	£37,000	£114,000	£9,000	£188,000	

During the year 360,000 share options, included in the table above, met the conditions of exercise (2018: 360,000).

At the end of the financial year 210,000 share options met the conditions of exercise and have a weighted average exercise price of 57.5p (2018: 210,000 at 57.5p). The 415,000 share options outstanding at 30 September 2019 had a weighted average price of 106.4p (2018: 415,000 at 106.4p) and a weighted average remaining contractual life of 6.2 years (2018: 7.2 years).

The share price at 30 September 2019 was 130p. The average market price during the year was 162p.

The Group uses a Black-Scholes pricing model to determine the annual fair value charge for its share-based payments. Expected volatility is based on historical volatility over the last six years' data of the Company. The calculated fair values of the share option awards are adjusted to reflect actual and expected vesting levels.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £63,000 was recognised in respect of share options in the year (2018: £43,000) of which £6,000 (2018: £4,000) was the charge made in respect of key management personnel.

24 - Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year the Company recharged management service fees and rent to other wholly-owned Group members totalling £734,000 (2018: £685,000). See Note 15 for the related party balances at 30 September 2019.

Titon Korea Co. Ltd., the Company's 51% owned subsidiary, paid a dividend during the year to its shareholders amounting to £996,000 (2018: £849,000). Of this amount, £508,000 (2018: £433,000), before withholding tax, was paid to the Company with the other £488,000 (2018: £416,000) being paid to the non-controlling interests.

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

	Sales of goods		**Amount owed by related party**	
	2019	2018 restated*	**2019**	2018
	£'000	£'000	**£'000**	£'000
Browntech Sales Co. Ltd	**8,329**	11,389	**1,975**	4,059

* See note 25 for details regarding the restatement of prior year results

Trading debts between subsidiaries and BTS are created only when the ultimate customer has accepted the successful inclusion of our products into buildings.

There have been no transactions between the Company and BTS during the year.

Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. Aside from compensation arrangements, there were no transactions, agreements or other arrangements, direct or indirect, during the year in which the Directors had any interest. Their remuneration is disclosed in the Remuneration Report on page 25 of this document.

Remuneration paid to key management personnel during the year was as follows:

	2019	2018
	£'000	£'000
Short term benefits	**676**	650
Post-employment benefits	**56**	101
Share based payments	**6**	4
	738	755

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

25 - Restatement of prior year results

In March 2019 the Company discovered that certain costs and revenues associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, in error, not been correctly accounted for in the relevant periods. This related to the incorrect accounting apportionment of revenues between first and second fix installations of products manufactured by our 51% subsidiary, Titon Korea and the related costs and revenues on those products sold by Browntech Sales Co. Ltd., our 49% owned associate company. The required restatements have been included within these results.

25 - Restatement of prior year results (continued)

The effect of the restatement on the relevant lines within the Consolidated Statement of Financial Position as at 30 September 2017 and 30 September 2018 is as follows:

	Originally stated as at 30/09/2017	Adjust-ment	**Restated as at 30/09/2017**	Originally stated as at 30/09/2018	Adjust-ment	**Restated as at 30/09/2018**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Assets						
Investments in Associates	1,966	(253)	**1,713**	2,876	(290)	**2,586**
Deferred tax assets	116	259	**375**	52	296	**348**
Liabilities						
Trade and other payables	4,627	1,175	**5,802**	5,554	1,347	**6,901**
Equity						
Total Equity attributable to the equity holders of the parent	14,215	(720)	**13,495**	16,247	(826)	**15,421**
Non-controlling interest	1,986	(449)	**1,537**	2,221	(515)	**1,706**
Total Equity	16,201	(1,169)	**15,032**	18,468	(1,341)	**17,127**

The effect on the relevant lines of the Income Statement for the 12 months to September 2018 is as follows:

	12 months to September 2018		
	Originally stated	Adjustment	**Restated**
	£'000	£'000	**£'000**
Revenue	29,946	(172)	**29,774**
Profit before tax	2,979	(209)	**2,770**
Income tax (expense)/credit	(352)	37	**(315)**
Profit after income tax	2,627	(172)	**2,455**
Attributable to:			
Equity holders of the parent	2,113	(106)	**2,007**
Non-controlling interest	514	(66)	**448**
	2,627	(172)	**2,455**
Earnings per share attributable to equity holders of the parent			
Basic	19.17p		**18.21p**
Diluted	18.88p		**17.94p**

Additionally, during the period, the Directors have determined that it is a more normal classification within the Income Statement to show carriage outwards as a Distribution Cost rather than being included within Cost of Sales.

As a result of this, Distribution Costs for the 12 month period to 30 September 2018 have been increased by £750,000 to £1,454,000 (previously reported as £704,000). Cost of Sales for 12 month period to 30 September 2018 have been reduced by £750,000 to £21,170,000 (previously reported as £21,920,000). There has been no overall impact on profit before tax or any Statement of Financial Position line item in any period as a result of this reclassification.

Five Year Summary

Summarised consolidated results

	2019	2018	2017	2016	2015
		Restated			
	£'000	£'000	£'000	£'000	£'000
Results					
Revenue	**27,157**	29,774	28,011	23,721	22,258
Gross profit	**8,198**	8,604	7,265	7,048	5,978
Operating profit	**1,629**	2,016	1,850	1,772	1,562
Finance income	**12**	13	10	8	9
Share of profit from associate	**329**	741	633	356	298
Profit before tax	**1,970**	2,770	2,493	2,136	1,869
Income tax expense	**(186)**	(315)	(269)	(184)	(160)
Profit after tax	**1,784**	2,455	2,224	1,952	1,709
Dividends	**526**	489	410	324	289
Basic earnings per share	**12.84p**	18.21p	16.55p	15.21p	12.60p
Assets Employed					
Property, plant & equipment	**3,799**	3,655	3,548	3,511	3,218
Net cash and cash equivalents	**4,587**	3,415	3,269	2,438	2,870
Net current assets	**10,112**	9,838	9,972	9,039	7,392
Financed by					
Shareholders' funds: all equity	**16,262**	15,421	14,215	13,060	11,050

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

Notice of Annual General Meeting

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Notice is hereby given that the Annual General Meeting of Titon Holdings Plc ("the Company") will be held at the Company's Head Office at 894 The Crescent, Colchester Business Park, Colchester, CO4 9YQ on 18 February 2020 at 11.00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 1 to 11 will be proposed as Ordinary Resolutions and of which Resolutions 12 and 13 will be proposed as Special Resolutions.

Explanatory notes in respect of the resolutions are set out on pages 21 to 22 of the Directors' Report which accompanies this Notice.

Please note you will not receive a form of proxy for the 2020 AGM in the post. Instead, you can vote online at www.signalshares.com. To register you will need your Investor Code, which can be found on your share certificate. You may also request a hard copy proxy form directly from our Registrars, Link Asset Services, on 0871 664 0300. For full details on proxy voting please see the notes below, which accompany this Notice of Annual General Meeting.

1. To receive and adopt the reports of the Directors and the Auditors and the audited accounts of the Company for the year ended 30 September 2019.

2. To declare a final dividend of 3.0p per ordinary share payable to shareholders on the Company's register of members at close of business on 17 January 2020 payable on 21 February 2020.

3. To re-elect Mr Tyson Neil Anderson who retires from the Board in accordance with Article 104, as a Director of the Company.

4. To re-elect Mr Tony David Gearey who retires from the Board in accordance with Article 104, as a Director of the Company.

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

6. To re-elect Mr Kevin Sargeant, who retires from the Board in accordance with Article 104, as a Director of the Company.

7. To re-elect Mr Nicholas Charles Howlett, who retires from the Board in accordance with Article 104, as a Director of the Company.

8. To re-elect Mr Bernd Ratzke, who retires from the Board in accordance with Article 104, as a Director of the Company.

9. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

10. That the Directors' Remuneration Report set out on pages 23 to 27 of the Annual Report and Financial Statements for the year ended 30 September 2019, be approved.

11. That in place of all existing authorities, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £260,000 (representing approximately 24% of the nominal value of the ordinary shares in issue on 18 December 2019) for a period expiring (unless previously revoked, varied or renewed) on 17 May 2021 or, if sooner, at the end of the 2021 Annual General Meeting of the Company, but in each case the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

12. That subject to the passing of Resolution 11 above and in place of all existing powers, the Directors be generally empowered pursuant to section 570 and 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash, pursuant to the authority conferred by Resolution 10 as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall expire on 17 May 2021 or, if sooner, the end of the 2021 Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

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

12.2 otherwise than pursuant to paragraph 12.1 up to an aggregate nominal amount of £150,000 (representing approximately 14.6% of the nominal value of the ordinary shares in issue on 18 December 2019);

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

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 11" were omitted.

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

13.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,090,000 (representing approximately 10% of the nominal value of the ordinary shares in issue on 18 December 2019);

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

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

13.4 this authority (unless previously revoked, varied or renewed) shall expire on 17 May 2021 or, if sooner, the end of the 2021 Annual General Meeting of the Company except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

By order of the Board

D A Ruffell
Secretary

22 January 2020

Registered Office:

894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

Notice of Annual General Meeting (continued)

Notes:

Rights to appoint a proxy

1. Shareholders can vote online by logging on to www.signalshares.com and following the instructions given. Alternatively shareholders can request a hard copy proxy form by contacting our Registrars, Link Asset Services, on 0871 664 0300 from the UK (Calls cost 12p per minute plus network extras) or +44 371 664 0300 from outside the UK (calls chargeable at the applicable international rate) and returning it to the address shown on the form. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.

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

Procedure for appointing a proxy

3. To be valid, the proxy instruction must be received by one of the below methods no later than 11.00 a.m. on Sunday 16 February 2020. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority:

   - via www.signalshares.com by logging in and selecting the 'Proxy Voting' link. If you have not previously registered, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate and dividend confirmation), family name and postcode (if resident in the UK);
   - if your shares are held electronically via CREST, the proxy appointment may be lodged using the CREST Proxy Voting Service in accordance with note 7 below; and
   - in hard copy form by post, by courier or by hand to the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Nominated persons

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

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

CREST

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

7. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Notes: (continued)

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Entitlement to Attend

10. Entitlement to attend and vote at the meeting (and the number of votes which may be cast at the meeting), will be determined by reference to the Company's register of members at close of business on 14 February 2020, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (ignoring for these purposes non-working days). In each case, changes to the register after such time will be disregarded.

Corporate representatives

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

Total voting rights

12. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 21 January 2020, which is the latest practicable date before the publication of this document, is 11,133,750. The Company holds 50,000 ordinary shares in treasury. On a vote by show of hands, every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote. On a poll vote, every member who is present in person or by proxy has one vote for every ordinary share of which they are the holder.

Publication on website

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

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

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

Documents available for inspection

16. Copies of the service contract of each Executive Director and the letter of appointment of each Non-executive Director will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) and at Titon's Head Office at 894 The Crescent, Colchester Business Park, Colchester, CO4 9YQ, for at least 15 minutes prior to and during the Annual General Meeting.

Communications

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

    - call the Link shareholders' helpline on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00am - 5.30pm Monday to Friday excluding public holidays in England and Wales); or
    - write to Link Asset Services, Shareholder Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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

Directors and Advisors

DIRECTORS

Executive

K A Ritchie (Group Chairman)
D A Ruffell (Chief Executive)
T N Anderson
T D Gearey

Non-executive

J N Anderson (Deputy Chairman)
K Sargeant
N C Howlett
B Ratzke (appointed 25 March 2019)

SECRETARY AND REGISTERED OFFICE

D A Ruffell
894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

COMPANY REGISTRATION NUMBER

1604952 (Registered in England & Wales)

WEBSITE

www.titonholdings.com

AUDITORS

BDO LLP
55 Baker Street
London
W1U 7EU

NOMINATED ADVISOR

Shore Capital and Corporate Ltd
Cassini House
57-58 St. James's Street
London
SW1A 1LD

BROKER

Shore Capital Stockbrokers Ltd
Cassini House
57-58 St. James's Street
London
SW1A 1LD

REGISTRARS AND TRANSFER OFFICE

Link Market Services Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

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