

Titon Holdings Plc

2020 Interim Statement



2020 Interim Statement

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Chairman's Statement

I am writing this statement in the midst of the COVID-19 pandemic, which has had an unprecedented impact on the world economy and all of our lives. In the UK we swiftly moved to working from home, where possible, in the middle of March and then we took the decision to close our manufacturing and despatch operations from 24 March, following the Prime Minister's announcement of the lockdown. This clearly impacted the trading results for March and we remained closed for most of April before we re-started operations on a limited basis on 21 April. Many of our customers have not yet re-started their businesses so we are serving a small number of customers where we can for the time being but we are pleased to be back at work, albeit very significantly below the normal levels for this time of year. We hope that more of our UK customers will shortly resume operations following the Prime Minister's address on 10 May 2020. As noted below our South Korean business has also been affected by the pandemic.

Income Statement

In the six months to 31 March 2020, Titon's net revenue (which excludes inter-segment activity) fell by 21.5% to £11.2 million (2019: £14.3 million). As I noted in my AGM statement on 18 February 2020 and compounded by the impact of COVID-19, the political and economic circumstances we have faced has made for a very challenging six months for the Group.

Gross margin fell to 27.3% (2019: 29.3%) due to the lower contributions from our Window and Door Hardware operations in the UK and Europe, although it was pleasing to see that the gross margin from our UK Ventilation Systems business was maintained. EBITDA was 73% lower at £0.3 million (2019: £1.17 million), whilst we made an operating loss of £0.2 million (2019 profit: £0.8 million). The income from the Group's associate, Browntech Sales Co. Ltd (BTS) in South Korea, fell to a loss of £0.04 million (2019 profit: £0.31 million) as a result of the weaker housing market in Korea and a provision against a property investment. In turn, the Group made a loss before tax of £0.27 million (2019 profit: £1.12 million).

The loss per share was 2.73 pence (2019 profit: 7.06 pence) with the apportionment of profits to minority shareholders lower at £0.04 million (2019: £0.22 million) which reflected the lower contribution from the Group's 51% owned subsidiary, Titon Korea.

Accordingly, the Board has decided not to declare an interim dividend for the period due to the unprecedented circumstances and uncertainty that the Company faces in the near term (2019: 1.75 pence per share).

Balance sheet and cash flow

Net assets including non-controlling interests fell 7.2% or £1.3 million to £16.3 million (31 March 2019: £17.6 million) with net cash of £3.69 million (31 March 2019: £3.84 million) which is equivalent to 22.7% of net assets (31 March 2019: 21.8%). The impact of the adoption of IFRS 16 Leases at 1 October 2019 has resulted in right-of-use assets being recognised in non-current assets as at 31 March 2020 of £783,000 with corresponding lease liabilities of £809,000 split between current and non-current liabilities. The Group had no financial indebtedness at 31 March 2020.

During the period a further dividend of £0.7 million was paid by Titon Korea to the Company in respect of our 51% shareholding, with £0.67 million also being paid to our Korean partners who are the 49% minority shareholders. As a result of this the cash held by Titon Korea has fallen to £0.3 million at 31 March 2020 (31 March 2019: £1.01 million).

The half year saw cash generated from operations of £0.54 million (2019: £1.45 million), primarily due to working capital components falling in line with reducing levels of activity. Capital expenditure in the period was lower at £0.38 million (2019: £0.52 million) as we cut back on major items of capital equipment. Net current assets were £8.8 million (2019: £10.0 million) at 31 March 2020 with a Quick Ratio¹ of 1.97 (2019: 1.94). Asset Turn was 1.87 (2019: 2.19).

Segmental and operational review

Clearly, this has been a very difficult period and the Group Loss before tax reflects the challenges we have faced. Although the Coronavirus pandemic only started to affect the UK and Europe from March 2020 onwards it had already impacted on our operations in South Korea. These results also include costs of redundancies that we had already made before March as we reacted to the weaker market conditions in the first half and additional provisions for higher bad debts that we anticipate in the second half year.

UK and Continental Europe

Trading has been difficult throughout the first half in both the UK and Continental Europe, with revenue in the UK falling by 9.2% to £7.0m (2019: £7.6m). As we announced in February 2020, in the UK we suffered from the political uncertainty that extended throughout 2019 and was only resolved in December 2019 with the general election result and the decision to leave the European Union on 31st January 2020 being confirmed. This did not lead to an immediate expansion in trading before the COVID-19 outbreak impacted demand from

the outset of March. The pandemic ultimately resulted in us closing our factory, for health and safety reasons, in late March with a closure of sales operations for four weeks. Post period end we were able to re-start limited manufacturing and distribution but this has clearly had an impact on this period's results. Sales in our UK Window and Door Hardware business were 14% down on the same period last year as we suffered from increased competition for trickle vents, lower replacement window market sales and reduced activity in the non-domestic market. The one bright spot in the UK was Ventilation Systems, which saw sales of mechanical ventilation products rise by 6.5% over the same period last year.

Export sales of Ventilation Systems products were disappointing in the period. Sales were 33% lower than the comparative period, which was boosted by European customers stocking up before the first possible Brexit date of 31 March 2019. During the period under review a number of our European customers have seen house building projects delayed due to the weak economic performance in Europe. However, we continue to invest resources in further developing new products for European customers and to extending our coverage into other countries. Export sales of Window and Door Hardware products also struggled and were down by 11% against the same period in 2019.

South Korea

We announced in February that activity levels in the South Korean new-build market had continued to fall as the South Korean Government had intervened to slow house price growth by restricting lending. This has meant that sales have been lower than we expected in the first half year. Of course, South Korea was one of the first countries to be affected by COVID-19 and the effects of this have been felt in sales for the period as economic activity has significantly reduced. Our Korean business closed for a week at the end of February as the virus began to impact there. As we have previously noted, steps were taken to re-align costs with expected sales levels during 2019 and this process has continued in 2020 with a reduction in both headcount and costs. Although the current economic situation in South Korea may not be as difficult as that in the UK and Europe, it still remains challenging and the business is being managed to reflect the current market conditions. We have worked with our South Korean colleagues to design a new natural ventilation product with increased filtration, which is now ready for manufacture and sale in South Korea and we will continue to develop products for them as the market requires.

The contribution from Browntech Sales Co. Limited

(BTS), the Group's associate company, which primarily distributes ventilation products in South Korea, was similarly affected by lower sales in the half year. Sales were reduced due to the lower levels of house building in the country, as noted above. Due to the weak property market in South Korea we have also taken the decision to make a provision against the secured loan investment that BTS made in 2016. This has contributed to BTS recording a loss after tax for the period under review of £80,000, of which our share of the loss amounts to £39,000.

In terms of the segmental contribution from South Korea, the two businesses, Titon Korea and BTS are added together. The revenue, which is solely Titon Korea (because the Company's share of BTS's profits are accounted for as an associate) was 41% lower at £2.8 million (2019: £4.8 million). The segment profit, which includes the pre-tax profit of Titon Korea plus 49% of the post-tax loss of BTS, was 92% lower at £66,000 (2019: £864,000).

United States

Sales in our US business have fallen from the same period last year and are 22% lower at £397,000 (2019: £510,000). This is largely due to a fall in the construction of multi-occupancy housing requiring trickle vents, in favour of single houses not requiring trickle vents in our key market areas and more latterly, due to the impact of COVID-19. This is disappointing and we have already made some changes to our US salesforce. Titon Inc. remains profitable and we also make inter-segmental profits in our Haverhill factory on products sold in the US.

Board

There have been no changes in personnel on the Board during the period under review. As part of the response to the COVID-19 challenge that we face I can announce that all of the Titon Holdings directors have taken a 10% salary reduction from 1 May 2020, which will be regularly reviewed for the next six months. I personally, would like to thank all of my colleagues on the Board for their hard work and counsel during these very difficult times.

Employees

Once again, I am indebted to all of Titon's employees for their talent and hard work and particularly in these very difficult circumstances where a large number of them have been furloughed under the Government's Coronavirus Job Retention Scheme. Without them, we would not have such a high quality and diversified business. To all of them, I offer my and the Board's sincere thanks.

Business Review

Investors

As noted above we will not be paying an interim dividend at this time, because of the uncertainty caused by the COVID-19 pandemic. The decision not to declare a dividend was a very difficult one as I recognise that many shareholders depend on dividend income. As we have previously stated, Titon's policy is to pay dividends commensurate with the results of the business. As such, and given the performance of the Group in the business environment that we face due to the COVID-19 crisis, we believe that it is important for the Company to preserve its cash at this very difficult time. I hope that the prospects for Titon at the end of the current fiscal period will have improved sufficiently so that we can consider paying a final dividend for the year but, of course, this depends on the state of the economy and the Group's performance.

We have worked closely with Shore Capital, our Nominated Adviser, over the last few months and I noted in the 2019 Annual Report that they had initiated research coverage on Titon. However, the pandemic has introduced an unprecedented level of uncertainty to the environment that the Group operates within and we announced in March 2020 that we had withdrawn current and future guidance to investors and the stock market. We will continue to update investors at the appropriate time when we have any further guidance.

Outlook

At this stage of the COVID-19 pandemic the Board is unable to provide any formal guidance on what the outlook for Titon will be in the second half of the fiscal year. The Board notes all economic forecasters are expecting to see a major contraction of economic activity in the UK and Europe as the lock down measures have come into force and some of these economies have already posted contractions in GDP in Q1 2020 before any major impact has been felt. The Bank of England has forecast that the UK economy will contract by 14% in 2020, before rebounding in 2021 by 15% but the anticipated fall this year represents the sharpest recession on record.

In the UK we need some more certainty as to the relaxation of the lock down measures, which will in part determine the level of demand for our hardware and mechanical ventilation products. A number of house builders have announced their intentions to re-start operations in May and this is a positive sign but it remains to be seen when house buyers will return to the market and when consumers will be willing to spend on replacement windows and doors. We have announced that we have partially re-started our UK operations while

ensuring that we follow the UK Government's guidelines for safe working and we will continue to follow these as and when they are updated.

We also remain subject to any amendments to the current UK building regulations for ventilation and the conservation of fuel and power but understand that these may now be delayed until 2021 due to the Government's understandable focus on the COVID-19 pandemic.

In Europe, where there has been more progress in releasing lock down restrictions than the UK currently, we re-started sales to our customers when our factory re-opened in April and new orders have also been received for our mechanical ventilation products. We very much hope that these activities continue in the second half of 2020.

In South Korea, which was impacted earlier than Europe, I am pleased to say there has been a return to more normal life and it looks like the health authorities have managed to control the virus, at least for the time being. However, there has been a major hit to consumer confidence and the international economic situation will also affect the economy, which is forecast to contract this year by 0.8%, according to Focus Economics. However, they do forecast growth of 3.2% in 2021. We are anticipating that revenues for the remainder of the fiscal year will continue to be significantly affected by the economic conditions in South Korea.

In these very difficult times we can take comfort from the strength of our balance sheet and the cash resources that we had at the outset of the pandemic. The Board is confident that the business has sufficient financial strength to trade its way through the current disruption. The Group is well capitalised with a strong balance sheet and no debt. As a result, we remain confident in the long-term prospects of the business.

We welcome the announcement of the extension of the Coronavirus Job Retention Scheme until October 2020, subject to the detailed terms and conditions, which have not yet been published. Hopefully, this will allow us to bring employees back from furlough in line with the recovery of our revenues. Finally, we will take all necessary steps to protect Titon and to ensure that it will survive the market disruption that currently faces us.

Principal risk and uncertainties

The key financial and non-financial risks faced by the Group are disclosed in the Group's Annual Report and Accounts for the year ended 30 September 2019 within the Strategic Report (page 6) available at www.titon.com. However, current assessments of exposure

to financial and other risks are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures, government support measures including Job Support Relief in the UK and deferral of VAT payments and the overall impact on the global economy. The Board has considered the potential impact of these matters on the Group's specific circumstances, including current and potential cash resources, but also access to additional financing facilities through the Government's COVID-19 loans scheme.

The Group has considerable cash 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 12 months from the period end date. On the basis of this review the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of at least twelve months and beyond. For this reason the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

A list of current directors is maintained on the Group's website www.titon.com.

On behalf of the Board



KA Ritchie
Chairman

13 May 2020

Notes:

¹ *The Quick Ratio measures liquidity and is calculated by dividing Current Assets less inventories by Current Liabilities*

Consolidated Interim Income Statement

for the six months ended 31 March 2020

		6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19
	Note	unaudited £'000	unaudited £'000	audited £'000
Revenue	3	11,224	14,290	27,157
Cost of sales		(8,157)	(10,097)	(18,959)
Gross profit		3,067	4,193	8,198
Distribution costs		(747)	(728)	(1,489)
Administrative expenses		(2,293)	(2,258)	(4,415)
Research and development expenses		(259)	(232)	(504)
Transaction related expenses		-	(181)	(181)
Other income		5	6	20
Operating (loss) / profit		(227)	800	1,629
Finance income		7	7	12
Finance costs		(11)	-	-
Share of post-tax (loss) / profit from associates		(39)	313	329
(Loss) / profit before tax		(270)	1,120	1,970
Income tax credit / (expense)	4	16	(118)	(186)
(Loss) / profit after income tax		(254)	1,002	1,784
Attributable to:				
Equity holders of the parent		(303)	782	1,423
Non-controlling interest		49	220	361
(Loss) / profit for the period		(254)	1,002	1,784
Earnings per share attributed to equity holders of the parent:				
	Basic	6	7.06p	12.84p
	Diluted	6	6.97p	12.68p

Consolidated Interim Statement of Comprehensive Income

for the six months ended 31 March 2020

		6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19
		unaudited £'000	unaudited £'000	audited £'000
(Loss) / profit for the period		(254)	1,002	1,784
<i>Other comprehensive income – items which may be reclassified to profit or loss in subsequent periods:</i>				
Exchange difference on re-translation of net assets of overseas operations		(162)	(219)	(201)
Total comprehensive (expense) / income for the period		(416)	783	1,583
<i>Attributable to:</i>				
Equity holders of the parent		(428)	649	1,323
Non-controlling interest		12	134	260
		(416)	783	1,583

Consolidated Interim Statement of Financial Position

at 31 March 2020

		31.3.20	31.3.19	30.9.19
	Note	unaudited £'000	unaudited £'000	audited £'000
Assets				
Property, plant and equipment	2	4,432	3,853	3,799
Intangible assets		630	687	718
Investments in associates		2,753	2,831	2,894
Deferred tax assets		266	204	281
Total non-current assets		8,081	7,575	7,692
Inventories		4,688	5,246	4,884
Trade and other receivables		4,583	5,977	5,446
Income tax receivable		33	33	-
Cash and cash equivalents		3,695	3,839	4,587
Total current assets		12,999	15,095	14,917
Total Assets		21,080	22,670	22,609
Liabilities				
Deferred tax liability		-	11	83
Lease liabilities		550	-	-
Total non-current liabilities		550	11	83
Trade and other payables		3,949	5,088	4,793
Income tax payable		14	-	12
Lease liabilities		259	-	-
Total current liabilities		4,222	5,088	4,805
Total Liabilities		4,772	5,099	4,888
Equity				
Share capital		1,113	1,113	1,113
Share premium reserve		1,049	1,049	1,049
Capital redemption reserve		56	56	56
Treasury shares		(27)	(27)	(27)
Foreign exchange reserve		277	369	402
Retained earnings		13,039	13,171	13,669
Total Equity attributable to the equity holders of the parent		15,507	15,731	16,262
Non-controlling Interest		801	1,840	1,459
Total Equity		16,308	17,571	17,721
Total Liabilities and Equity		21,080	22,670	22,609

Consolidated Interim Statement of Changes in Equity

at 31 March 2020

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Treasury Shares £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total Equity £'000
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	-	-	-	(133)	-	-	(133)	(86)	(219)
Profit for the period	-	-	-	-	-	782	782	220	1,002
Total comprehensive income for the period	-	-	-	(133)	-	782	649	134	783
Dividends paid	-	-	-	-	-	(332)	(332)	-	(332)
Share-based payment credit	-	-	-	-	-	31	31	-	31
At 31 March 2019	1,113	1,049	56	369	(27)	13,190	15,750	1,821	17,571
Translation differences on overseas operations	-	-	-	33	-	-	33	(15)	18
Profit for the period	-	-	-	-	-	641	641	141	782
Total comprehensive income for the period	-	-	-	33	-	641	674	126	800
Dividends paid	-	-	-	-	-	(194)	(194)	-	(194)
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	-	(488)	(488)
Share-based payment credit	-	-	-	-	-	32	32	-	32
At 30 September 2019	1,113	1,049	56	402	(27)	13,669	16,262	1,459	17,721
Accounting policy change IFRS 16	-	-	-	-	-	(19)	(19)	(2)	(21)
At 1 October 2019	1,113	1,049	56	402	(27)	13,650	16,243	1,457	17,700
Translation differences on overseas operations	-	-	-	(125)	-	-	(125)	(37)	(162)
Loss for the period	-	-	-	-	-	(303)	(303)	49	(254)
Total comprehensive expense for the period	-	-	-	(125)	-	(303)	(428)	12	(416)
Dividends paid	-	-	-	-	-	(332)	(332)	-	(332)
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	-	(668)	(668)
Share-based payment credit	-	-	-	-	-	24	24	-	24
At 31 March 2020	1,113	1,049	56	277	(27)	13,039	15,507	801	16,308

Consolidated Interim Statement of Cash Flows

for the year ended 31 March 2020

	Note	6 months to 31.3.20 unaudited £'000	6 months to 31.3.19 unaudited £'000	Year to 31.3.19 audited £'000
Cash generated from operating activities				
(Loss) / profit before tax		(270)	1,120	1,970
Depreciation of property, plant & equipment		424	266	543
Amortisation of intangible assets		118	107	228
Profit on sale of plant & equipment		(20)	-	-
Share based payment – equity settled		24	31	63
Finance income		(7)	(7)	(12)
Finance costs		11	-	-
Share of associate's post-tax loss / (profit)		39	(313)	(329)
		319	1,204	2,463
Decrease in inventories		180	335	690
Decrease in receivables		796	1,675	2,153
Decrease in payables and other current liabilities		(751)	(1,769)	(2,033)
Cash generated from operations		544	1,445	3,273
Income taxes paid		(83)	(175)	(203)
Net cash generated from operating activities		461	1,270	3,070
Cash flows from investing activities				
Purchase of plant & equipment		(349)	(464)	(694)
Purchase of intangible assets		(30)	(57)	(209)
Proceeds from sale of plant & equipment		30	-	7
Finance income		7	7	12
Finance costs		(11)	-	-
Net cash used in investing activities		(353)	(514)	(884)
Cash flows from financing activities				
Dividends paid to equity shareholders of the parent	5	(332)	(332)	(526)
Dividends paid to Non-controlling shareholders of a subsidiary		(668)	-	(488)
Cash withdrawn from treasury deposit accounts		-	900	900
Net cash (used in) / generated from operating activities		(1,000)	568	(114)
Net (decrease) / increase in cash (excluding movement on treasury deposits)		(892)	1,324	2,072
Cash at beginning of the period (excluding treasury deposits)		4,587	2,515	2,515
Cash at end of the period (excluding treasury deposits)		3,695	3,839	4,587

The Group cash and cash equivalents figure on the Consolidated Interim Statement of Financial Position includes both the cash at 31 March 2020 and the cash on treasury deposit of £nil (March 2019: £nil, September 2019: £nil) and totals £3,695,000 at 31 March 2020 (March 2019: £3,839,000, September 2019: £4,587,000).

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

1 - Accounting policies

a) General information

Titon Holdings Plc (the 'Company') is incorporated and domiciled in England and its shares are publicly traded on AIM. The registered office address is 894 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9YQ. The company's registered number is 1604952. The principal activities of the Group are as described in Note 3.

Apart from the risks posed by the COVID-19 pandemic, which were obviously not included in the 2019 Strategic Report the Board considers the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the last Annual Report and Financial Statements to 30 September 2019. The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 September 2019

b) Basis of preparation

These condensed consolidated interim financial statements of the Group for the six months ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The condensed consolidated interim financial statements have been prepared in accordance with the AIM rules. Neither the six months results for 2020 nor the six months results for 2019 have been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. This condensed Interim Group financial Statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 September 2019 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006, but they have been derived from the audited Report and Accounts for that year, which have been filed with the Registrar of Companies as amended by the restatement described. The independent auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 September 2019, which have been prepared in accordance with IFRS's as adopted by the European Union.

These unaudited interim Group financial Statements were approved for issue on 13 May 2020. Copies will be sent to shareholders within the next few weeks and is available on the Group's website at www.titonholdings.com and from the Company's registered office at 894 The Crescent, Colchester Business Park, Colchester, Essex CO4 9YQ.

c) Accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted by the European Union as effective for periods beginning on or after 1 January 2019.

In preparing these condensed consolidated interim financial statements the Board have considered the impact of new standards which will be applied in the 2020 Annual Report and Accounts. Other than the adoption of IFRS 16 'Leases', Amendments to IFRS 9 'Prepayment Features with Negative Compensation' and IFRIC 23 'Uncertainty over Income Tax Treatments', which are effective for accounting periods starting on or after 1 January 2019, there are not expected to be any changes in the accounting policies compared to those applied at 30 September 2019.

A full description of accounting policies is contained with our 2019 Annual Report and Financial Statements, which is available on our website.

New accounting standards

The Group has adopted the following new standards (effective 1 January 2019) in these condensed consolidated interim financial statements:

- IFRS 16 'Leases' replaces IAS 17 'Leases' and was adopted at 1 October 2019 without restatement of comparative figures using the modified retrospective approach. The adoption of this IFRS 16 has resulted in the Group recognising the right-of-use assets and related lease liabilities in connection with all former operating leases, where applicable at 1 October 2019 and as shown below, except for intra-group leases for property assets. In addition, for leases with a low value assets and those with a duration of 12 months or less, the Group has elected to account for the lease expense on a straight-line basis over the remaining lease term.

At 01 October 2019, the Group measured each lease liability at the present value of the contractual lease payments unpaid at that date, discounted using the interest rate implicit in the lease, where that was rate readily available, or used its incremental borrowing rate applying a single rate to a portfolio of leases with reasonably similar characteristics. The incremental borrowing rate being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset similar to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

	£'000
Right-of-use assets recognised - see Note 2	718
Lease Liabilities recognised	(739)
<hr/> Reduction in Retained Earnings at 01/10/19	<hr/> (21)

The new Standard has been applied as at 1 October 2019 with the cumulative effect of adopting IFRS 16 being recognised in Equity as a reduction in Retained Earnings of £21,000. Prior periods have not been restated.

- 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 Board has reviewed this new standard and does not expect there to be any significant impact on the Group's results.
- 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. The Board has reviewed this new standard and does not expect there to be any impact on the Group's results.

The new standards issued, but effective for later reporting periods, are under review by the Board to determine likely impact for the Group, they have decided that early adoption is not appropriate.

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform. In September 2019, the International Accounting Standards Board (IASB) amended IFRS 9, IAS 39 and IFRS 7 in response to uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs).
- Amendments to IAS 1 and IAS 8: Definition of Material. In October 2018, The IASB these amendments to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.
- Amendments to References to the Conceptual Framework in IFRS Standards. The IASB has issued a revised Conceptual Framework for Financial Reporting. The revised version introduces a number of new aspects compared to the 2010 version, specifically including: concepts on measurement, concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income and guidance on when assets and liabilities are removed from financial statements.

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

2 - Property, plant and equipment

	Freehold land and buildings	Leasehold properties & improvements	Plant and equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2018	3,455	64	7,432	343	11,294
Additions	-	100	364	-	464
Disposals	-	-	-	-	-
At 31 March 2019	3,455	164	7,796	343	11,758
Additions	-	10	182	38	230
Disposals	-	-	(6)	(32)	(38)
At 30 September 2019	3,455	174	7,972	349	11,950
Adjustment on transition to IFRS 16	-	502	-	216	718
At 01 October 2019	3,455	676	7,972	565	12,668
Additions	-	191	129	29	349
Disposals	-	(53)	-	(77)	(130)
At 31 March 2020	3,455	814	8,101	517	12,887
Depreciation					
At 1 October 2018	1,426	-	6,049	164	7,639
Charge for the period	33	-	194	39	266
Disposals	-	-	-	-	-
At 31 March 2019	1,459	-	6,243	203	7,905
Charge for the period	31	10	196	40	277
Disposals	-	-	(6)	(25)	(31)
At 30 September 2019	1,490	10	6,433	218	8,151
Additions	32	95	195	102	424
Disposals	-	(53)	-	(67)	(120)
At 31 March 2020	1,522	52	6,628	253	8,455
Net book value					
at 31 March 2020	1,933	762	1,473	264	4,432
At 01 October 2019	1,965	666	1,539	347	4,517
At 30 September 2019	1,965	164	1,539	131	3,799
At 31 March 2019	1,996	164	1,553	140	3,853
At 1 October 2018	2,029	64	1,383	179	3,655

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

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.

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.

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

3 - Revenue and segmental information (continued)

Operating segment	United Kingdom	South Korea	North America	All other countries	Total
6 months ended 31 March 2020	£'000	£'000	£'000	£'000	£'000
Segment revenue	7,139	2,819	397	1,033	11,388
Inter-segment revenue	(164)	-	-	-	(164)
Total Revenue	6,975	2,819	397	1,033	11,224
Segment (loss) / profit	(203)	66	27	(160)	(270)
Income tax credit					16
Loss for the period					(254)
Depreciation and amortisation	370	21	-	-	391
Depreciation of Right-of-use-assets	77	74	-	-	151
Total assets	14,837	6,046	197	-	21,080
Total assets include:					
Investments in associates	2,528	-	-	-	2,528
Additions to non-current assets (other than financial instruments and deferred tax assets)	139	240	-	-	379

The South Korean Segment profit includes the Group's share of the post-tax profit from the Group's associate undertaking, Browntech Sales Co. Ltd. Sales to Browntech Sales Co. Ltd. of £2.8 million represent 25% of Group Revenue. There are no other concentrations of revenue above 10% during the year (see Note 7 - 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.

6 months ended 31 March 2020	United Kingdom	Europe	USA and Canada	Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
by entities' country of domicile	8,008	-	397	2,819	-	11,224
by country from which derived	6,962	1,029	397	2,819	17	11,224
Non-current assets						
By entities' country of domicile	4,934	-	39	3,108	-	8,081

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

3 - Revenue and segmental information (continued)

Operating segment	United Kingdom	South Korea	North America	All other countries	Total
	£'000	£'000	£'000	£'000	£'000
6 months ended 31 March 2019					
Segment revenue	7,819	4,769	510	1,449	14,547
Inter-segment revenue	(257)	-	-	-	(257)
Total Revenue	7,562	4,769	510	1,449	14,290
Segment profit / (loss)	280*	864	(12)	(12)	1,120
Income tax expense					(118)
Profit for the period					1,002
Depreciation and amortisation	334	39	-	-	373
Total assets	14,034	8,246	381	-	22,670
Total assets include:					
Investments in associates	2,831	-	-	-	2,831
Additions to non-current assets (other than financial instruments and deferred tax assets)	521	-	-	-	521

* Costs charged to the United Kingdom segment include £181,000 of transaction related costs.

The South Korean Segment profit includes the Group's share of the post-tax profit from the Group's associate undertaking, Browntech Sales Co. Ltd. Sales to Browntech Sales Co. Ltd. of £4.8 million represent 33% of Group Revenue. There are no other concentrations of revenue above 10% during the year (see Note 7 - 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.

6 months ended 31 March 2019	United Kingdom	Europe	USA and Canada	Asia	All other regions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues						
by entities' country of domicile	9,011	-	510	4,769	-	14,290
by country from which derived	7,530	1,479	510	4,769	2	14,290
Non-current assets						
By entities' country of domicile	4,585	-	30	2,960	-	7,575

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

3 - Revenue and segmental information (continued)

For the year ended 30 September 2019	United Kingdom	South Korea	North America	All other countries	Total
	£'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
Income 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 7 - 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
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues						
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

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

4 - Taxation

	6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19
	£'000	£'000	£'000
Current income tax:			
Corporation tax expense	(52)	-	(73)
Adjustment in respect of prior years	-	-	-
	(52)	-	(73)
Deferred tax:			
Origination and reversal of temporary differences	68	(118)	(113)
Income tax expense	16	(118)	(186)

Taxation for the interim period is credited at 5.9% (six months to 31 March 2019: charged at 10.5%) representing the best estimate of the average annual income tax rate for the full financial year.

5 - Dividends

No interim dividend will be payable for the six months ended 31 March 2020.

The following dividends have been recognised and paid by the Company

			6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19
	Date Paid	Pence per share	£'000	£'000	£'000
Final in respect of the year end 30.09.18	27.02.19	3.00	-	332	332
Interim in respect of the year end 30.09.19	21.06.19	1.75	-	-	194
Final in respect of the year end 30.09.19	21.02.20	3.00	332	-	-
			332	332	526

6 - Loss / earnings per ordinary share

Basic earnings per share has been calculated by dividing the loss / profit attributable to shareholders of Titon Holdings Plc by the weighted average number of ordinary shares in issue during the period, being 11,083,750 (six months ended 31 March 2019: 11,083,750; year ended 30 September 2019: 11,083,750).

Diluted earnings per share (EPS) is calculated by dividing the profits or losses attributable to shareholders by the weighted average number of ordinary shares and potential dilutive ordinary shares during the period, being 11,200,107 at 31 March 2020, except that at this date, when the inclusion of potential ordinary shares (POSs) in the calculation would increase the EPS, or decrease the loss per share, from continuing operations, then these POSs are anti-dilutive and are ignored in diluted EPS. Potential dilutive ordinary shares at: six months ended 31 March 2019: 11,225,961 and year ended 30 September 2019: 11,226,310.

Notes to the Condensed Consolidated Interim Statements

at 31 March 2020

7 - 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. Transactions between subsidiary companies and the associate company, which is a related party, were as follows:

	Sale of goods			Amount owed by related party		
	6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19	6 months to 31.3.20	6 months to 31.3.19	Year to 30.9.19
	£'000	£'000	£'000	£'000	£'000	£'000
Browntech Sales Co. Ltd	2,819	4,769	8,329	827	1,118	1,975

There have been no additional significant or unusual related party transactions to those disclosed in the Group's Annual Report for 30 September 2019.

8 - Liability statement

Neither the Group nor the Directors accept any liability to any person in relation to the interim statement except to the extent that such liability could arise under English Law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

Directors and Advisors

DIRECTORS

Executive

KA Ritchie (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

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