Titon Holdings Plc

2012 Annual Report & Accounts

Titon®

Annual Report and Financial Statements

for the year ended 30 September 2012

Contents

Chairman's Statement

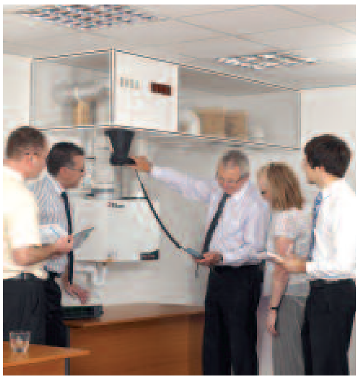
Financial Performance

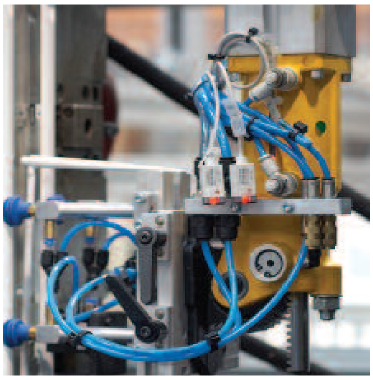
The result for the year to 30 September 2012 is a net Loss before Taxation of £984,000 (2011: Profit of £34,000), on Revenues 9% lower at £14.5 million (2011: £16.0 million). The loss after Taxation is £737,000 (2011: £189,000 Profit) resulting in a Loss per Share of 6.83p (2011: Earnings per share of 1.62p).

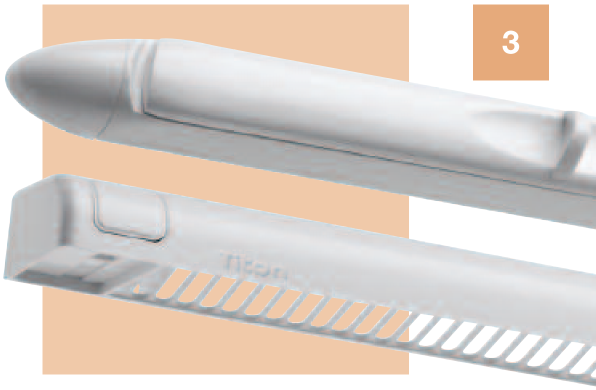
Net cash balances at the year end were £1.81 million (2011: £2.85 million). Total capital expenditure during the year was £632,000 (2011: £735,000). £207,000 of this expenditure relates to investment in software for the new computer system which was implemented during the year. This is in addition to the £202,000 spent on the same project last year.

The Directors are proposing a final dividend of 0.5p per share (2011: 1.0p). This, when added to the interim dividend paid on 25 June 2012 gives a total for the year of 1.5p (2011: 2.0p). If approved by shareholders at the forthcoming Annual General Meeting, the dividend will be payable on 22 February 2013 to shareholders on the register on 25 January 2013. The ex dividend date is 23 January 2013. We are always reluctant to cut our dividend but given the financial performance this year we have to reflect this in the final dividend.

Titon retains a strong balance sheet with £1.81 million of cash at the year end and has net assets of £9.2 million.







Trading Commentary

The Directors are obviously very disappointed with the result for the year. The large trading loss reflects the continued deterioration in almost all of the markets in which we operate. Construction and particularly house building and refurbishment activity has borne the brunt of the economic slowdown resulting in contracting sales and fierce competition for component suppliers such as Titon.

In the United Kingdom output from the construction sector over the twelve months from 1st October 2011 has fallen by approximately 11% and was still declining even when the most recent Gross Domestic Products Index increased by 1% for the quarter ended 30th September 2012. By the mid point of the financial year it was evident that this decline was continuing and that we would need to make significant reductions in our cost base. This has been a major focus for me since joining Titon on the 30th April 2012.

UK Revenues have fallen by 8.5% to £11.21 million (2011: £12.25 million) and now represent 77.1% of Group turnover (2011: 76.6%). There has been a 3.8% fall in UK private house building and, more notably, a 29.2% fall in public sector house building for the 12 month period ending in June 2012 against the comparable period ending in June 2011 for which data is available. This illustrates clearly the effect of the slowdown and has had a major impact on our sales volumes. Reduced Local Authority spending and the lack of consumer confidence to invest in new windows, doors and conservatories has impacted on our traditional hardware business, where sales have fallen by 7.1% over the year. We have reviewed our sales and product offerings in this sector and expect to introduce some new products early in 2013.

For ventilation systems we have seen that the trend towards the use of heat recovery ventilation systems experienced over the past few years has slowed. The house builders have looked to make savings in building costs, wherever possible and this has been combined with the fall in public sector house building already noted above. We are committed to increasing and improving our mechanical ventilation range and will be announcing new products and new features during the coming year.

One of the strengths of Titon is the quality of the Design and Research & Development team and an ability to develop innovative new products. I expect that to continue in 2013.

We reported in last year's statement that we had commenced litigation in the High Court against a UK competitor, Nuaire Limited, in respect of alleged patent and design right infringements of one of our mechanical ventilation product range. This action has been ongoing during the year with resultant additional legal costs of £127,000.

Revenues outside of the UK have fallen by 11% to £3.34 million (2011: £3.75 million). The major part of this reduction emanates from our joint venture in South Korea where revenues were 16.1% lower at £1.92 million (2011: £2.28 million). This reversal in volumes has resulted in a £74,000 loss at our Korean subsidiary, Titon Korea during the year. This, when added to our £39,000 share of losses in our associate Company, Browntech Sales Co. Ltd., makes a total loss of £113,000 in that country compared to the £29,000 profit last year. The South Korean construction market stalled badly over the early part of the year as economic growth slowed and the funding of social housing programmes were delayed. I am pleased to report that this market has returned to strong growth in recent months.

The majority of our other export sales are in Western Europe where demand has been curtailed by the well documented problems within the Euro zone. Sales in Scandinavia of our trickle vents have been lower when compared to earlier periods and the markets for heat recovery ventilation systems in the major European economies have been weak.

Chairman's Statement
(continued)

Employees

Employee numbers within the Group have fallen from 182 at the beginning of the year to 163 at 30 September 2012.

The reduction in staffing levels has occurred during the second half of the year as the need to reduce costs became apparent. As part of this process we have had to make 13 people redundant across our UK business, resulting in severance costs of £136,000 (2011: £62,000). Redundancy is always a very traumatic process for those involved and we express our gratitude and best wishes to our former employees and their families.

My Chairmanship of the Titon Group has come about due to the retirement from Office of John Anderson, the former Chairman and founder of the Company. John handed over to me in July this year after 40 years with Titon and has now become Deputy Chairman and Non-executive Director. On behalf of everyone involved with Titon I would like to thank John for his strong vision and leadership over the years and to wish him well in his retirement.

Mr Christopher Martin left Titon in August after 29 years service, the last 13 as a Director. We also wish Chris well in the future.

It has been another difficult year for all of our employees. We have recently agreed with our remaining UK employees to make reductions in their employment benefits packages and we thank them sincerely for the supportive attitude that they have demonstrated as we make the necessary adjustments to our costs.

Prospects

The overriding objective of the Directors this year is to return the business to profitability. The overhead reduction programme that commenced during the year is now well underway and will lead to approximately £600,000 of savings in a full Financial Year.

I do want to emphasise that Titon retains a strong balance sheet with £1.81 million of cash at the year end and has net assets of £9.2 million. This strength will provide us with the opportunity to invest in new products and markets in 2013. The 2013 forecast for UK house building is that there will be a small increase in private sector housing starts but the decline in public sector housing will continue. Against this backdrop we envisage that prospects for expanding our ventilation system sales will be limited. However, as noted above, we do have some new products in the pipeline and anticipate that these will strengthen our overall market position. In our window hardware market we will also be launching some new product ranges which we expect will gain us sales in markets where we have traditionally not competed.

We anticipate that our overseas sales will grow during the coming year with improvements expected from our South Korean and the USA businesses in particular. We are optimistic that our Korean activities will return to profit in comparison to the loss recorded this year.

In conclusion, we believe that the strength of Titon and the actions we have taken will result in a return to profitability in the year ahead.

On behalf of the Board

K A Ritchie
Chairman
5 December 2012

Directors' Report

The Directors present their report and the Group and Company financial statements for the year ended 30 September 2012.

Business Review

The principal activities of the Group are the design, manufacture and marketing of ventilation products and window fittings. In the UK the Group markets a comprehensive range of passive and powered ventilation products to house builders, electrical contractors and window manufacturers. In addition to this, it is a leading supplier of window handles, hinges and locking mechanisms to its window-manufacturing customers. Overseas activities are increasingly important for the Group and largely involve the marketing of passive and powered ventilation products worldwide. The Group also has a manufacturing base in South Korea where it works in partnership with its local distributor.

The Consolidated Income Statement is set out on page 23. A summary of the results along with other selected Key Performance Indicators is as follows:

	2012 £'000	2011 £'000
Revenue	**14,548**	15,995
(Loss) / profit before tax	**(984)**	34
Tax credit	**247**	155
(Loss) / profit for the year after tax	**(737)**	189
Revenue per employee	**82**	86
(Loss) / profit after tax per employee	**(4.2)**	1.0
Cash and cash equivalents	**1,840**	2,864

Comments on the results for the year, including a comprehensive business review are given in the Chairman's Statement. The Group's compliance with the UK Corporate Governance Code is set out on page 17.

Proposed Dividends

The Directors recommend the payment of a final ordinary dividend of 0.5p (2011: 1.0p) per ordinary share. This, when taken with the interim dividend of 1.0p (2011: 1.0p) per ordinary share paid on 25 June 2012, gives a total dividend of 1.5p (2011: 2.0p) per ordinary share for the year ended 30 September 2012.

Directors' 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 2012 Ordinary shares of 10p each	30 September 2011 Ordinary shares of 10p each
K A Ritchie	Executive Director and Chairman – appointed 30 April 2012	927,280	927,280
D A Ruffell	Chief Executive	71,000	71,000
J N Anderson	Non-executive Director and Deputy Chairman	1,737,802	2,237,802
T N Anderson	Sales & Marketing Director	693,750	192,500
P W E Fitt	Non-executive Director	-	-
N C Howlett	Development & Sustainability Director	13,750	13,750
C S Jarvis	Export Director	45,000	45,000
C J Martin	Supply Chain Director - resigned 14 September 2012	-	63,850
P E O'Sullivan	Non-executive Director	-	-

Details of Directors' share options are given in the Directors' Remuneration Report on page 16.

There were no other changes in Directors' beneficial shareholdings between 30 September 2012 and 13 December 2012.

Substantial shareholders

As at 13 December 2012, the Company had been notified of the following voting interests in its ordinary share capital, disclosable under the Financial Services Authority's Disclosure and Transparency Rules of the following holdings, other than Directors' holdings, of 3 per cent or more in the ordinary share capital of the Company:

Name	Shares	%
Discretionary Unit Fund Managers Ltd	2,065,000	19.6
Mrs A J Clipsham	823,579	7.8

Share capital

The ordinary share capital at 30 September 2012 consisted of 10,555,650 Titon Holdings Plc shares of 10p each. There were no changes during the year to the Company's ordinary share capital.

Details of the authorised and issued share capital of the Company as at 30 September 2012 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 or by writing to the Company Secretary.

There are no restrictions on the voting rights of shares and there are no restrictions in 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 the UK Listing Rules 'Model Rules' whereby Directors of the Company require approval to deal in the Company's shares (UK Listing Rules available from: fsa.gov.uk/pubs/other/listing_rules.pdf)

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.

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 £402,000 during the year (2011: £393,000). Development expenditure capitalised in 2012 amounted to an additional £88,000 (2011: £69,000) – see note 11 of the financial statements.

Principal risks and uncertainties

The Directors consider all the significant risks and uncertainties 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 possible.

The policies that are adopted to identify and manage significant risks are set out in full on page 20 and the major risks are considered below:

Key commercial relationships

Whilst the Group has a diverse range of customers there are certain key customers who account for a significant part of total revenue. Some risk exists that the current performance of the Group may not be maintained if such relationships were not to continue. Nominated Directors therefore continuously monitor key customer accounts. The Group considers it not to be in the interests of shareholders to disclose the names of key customers.

31% of Group revenue (2011: 33%) comprises products purchased from other UK and European manufacturing entities. The ongoing supply of product lines by Maco Door and Window Hardware (UK) Ltd, Securistyle Limited, Sobinco S.A. and certain Ventilation Systems component suppliers are important to Group profits and the relationships with key suppliers are handled by a nominated Director.

Competition

The market for the supply of Ventilation Systems and Window Hardware remains highly competitive. The Group seeks to manage the risk of losing customers to competition through the development of new products, through the specification of product with end users and through maintaining strong relationships and local representation with key customers.

Worldwide markets for ventilation products are largely determined by regulation. The Group recognises that the bringing forward of amendment to regulation is likely to accelerate and will, therefore, continue to place a high emphasis on consideration of regulatory developments.

Reliance on production facilities

The Group manufactures 69% (2011: 67%) of the products that it sells. Appropriate levels of inventory, along with duplication of key processes, tooling and component supplies have been established in order to minimise the risks involved by possible disruption to production facilities. In addition the Group has established procedures to minimise the risks of fire and other major disruption.

Product quality and product breakdown

The Group operates comprehensive BS EN ISO 9001: 2008 procedures in the UK to ensure that product complaints are quickly and effectively dealt with. Monthly meetings are held that include members of the senior management team where both product quality and product complaint issues are discussed and appropriate action recommended. Effective Quality Control systems form part of the BS EN ISO 9001: 2008 procedures and are embedded within the culture of the Group.

Financial instrument risk management

The main risks arising from the Group's financial instruments are credit risk and foreign currency exchange risk. More information regarding the Group's approach to these risks is set out in note 20 to the consolidated financial statements.

The Group's credit risk is primarily attributable to its trade receivables. Exposure to credit risk is generally spread over a large number of customers and the Group adopts stringent procedures to ensure that credit risks are well managed.

The Group's banking facilities are designed to ensure that there are sufficient funds available for current operations and the Group's further development plans.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group considers the overall translation risk to be limited given the nature and overall size of its foreign investments.

Other risks

As with any manufacturing organisation, health and safety matters represent an increasing area of risk. The Group has an effective structure to support a robust Health and Safety policy.

The Group maintains a comprehensive range of insurance policies covering its employees, assets and other risk areas, which are reviewed on an on-going basis.

Directors' Report (continued)

Market value of land and buildings

The Directors do not consider that there is any significant difference between the market value of freehold land and buildings and their net book value, as shown in the financial statements.

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.

The Group's approach and responsibilities for social and community issues are not covered in this report.

Disabled employees

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

The Group considers the training requirements of each disabled person on an individual basis.

Where an employee becomes disabled during the course of his or her employment, the Group will consider providing that employee with such means, including appropriate training, as will enable the employee to continue to carry out his or her job, where it reasonably can, or will attempt to provide an alternative suitable position.

Creditor payment policy

The majority of suppliers to the Group are of a long standing nature with whom mutually acceptable payment terms have been established over the relationship period. Generally payments will be made between 30 and 60 days from the end of the month of delivery. In certain circumstances payment terms will be agreed with suppliers as part of the overall terms of a transaction, and will be adhered to by the Group. The Company does not make any trade purchases.

In respect of the Group, year end trade creditors represent 48 days (2011: 56 days) average purchases.

Donations

During the year the Group made various charitable donations amounting to £589 (2011: £600).

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, capital redemption reserve and accumulated retained earnings. The translation reserve is not considered as capital. There have been no changes in what the Group considers to be capital since 2010/11. In order to maintain or adjust its working capital at an acceptable level and 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

The Group recognises the importance of a high commitment to environmental matters and has maintained its ISO 14001: 2004 Environmental Management System throughout the year.

The Group complies with current applicable legislation of the countries in which it operates; and will conduct operations such that:

- emissions to air, releases to water and land filling of wastes do not cause unacceptable environmental impacts and do not offend the community;
- significant plant and process changes are assessed and positively authorised in advance 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;
- 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.

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. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

Group and Company financial statements

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;
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website 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. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

Each person who is a director at the date of approval of this report confirms that 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 Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- 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 6. 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 information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all steps a Director ought to have taken to be make themselves aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (continued)

Directors liability insurance & indemnity

The Company has purchased liability insurance cover, which remains 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 13 December 2012. The Board intends to seek shareholder approval to renew the authority at this year's 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. The Board has no current intention to purchase shares as treasury shares

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, together with the factors likely to affect the Group's performance are set out on pages 5 and 7.

The Group's financial position and cash flows are described on pages 2 to 4. 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 in the current economic climate.

The Directors have reviewed the budgets, projected cash flows and other relevant information for a period of 15 months 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 for the foreseeable future. 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 Titon Factory and Showroom premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 19 February 2013 commencing at 11.00 a.m. A Notice convening the Annual General Meeting of the Company for 2013 may be found on page 56 of this document.

At the Annual General Meeting shareholders will be asked, as items of special business to give power to the Directors to allot shares, to give power to the Directors to disapply the pre-emption requirements of section 561 of the Companies Act 2006, to give power to the Directors to make market purchases of ordinary shares in the capital of the Company, subject to certain conditions and to approve the Directors' Remuneration Report. The Notice also sets out details of the ordinary business to be conducted at the Annual General Meeting.

Set out below is an explanation of the effect and purpose of the resolutions proposed.

Resolution 1 - receive and adopt the audited accounts

The Directors recommend that the Company adopt the reports of the Directors and the Auditors and the audited accounts of the Company for year ended 30 September 2012.

The Directors' Report was approved by the Board on 13 December 2012 and signed by order of the Board.

Resolution 2 - to declare a final dividend

The Directors recommend a final dividend of 0.5 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 22 February 2013 to shareholders of the register on 25 January 2013.

Resolution 3 - to re-elect Mr Keith Archibald Ritchie as a Director

Resolution 4 - to re-elect Mr David Alan Ruffell as a Director. The Chairman confirms that, following performance evaluation Mr Ruffell continues to be effective and demonstrates commitment in his role.

Resolution 5 - 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 6 - 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 21 February 2012, will expire at the end of this year's Annual General Meeting. Resolution 6 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 £250,000, representing approximately 23.7% of the nominal value of the ordinary shares in issue on 13 December 2012 (excluding treasury shares). The Company does not currently hold any shares in treasury.

The authority conferred by the resolution will expire on 18 May 2014 or, if sooner, at the end of next year's 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 7 - to approve the Directors' Remuneration Report

The Companies Act 2006 requires listed companies to put a resolution to shareholders at each annual general meeting to approve the Directors' Remuneration Report, which forms part of the annual report. The vote is advisory in nature.

Resolution 7 in the Notice of Annual General Meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the Remuneration Report, which can be found on pages 13 to 16 of this document.

Resolution 8 - 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 21 February 2012 will expire at the end of this year's Annual General Meeting. Accordingly, resolution 8 in the Notice of Annual General Meeting will be proposed, as a special resolution, to give the Directors power to allot 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 £50,000 (representing approximately 4.7% of the nominal value of the ordinary shares in issue on 13 December 2012). The power conferred by this Resolution will expire on 18 May 2014 or, if sooner, at the end of next year's Annual General Meeting.

Directors' Report (continued)

Resolution 9 - Company's authority to purchase its own shares

Resolution 9 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 1,055,565 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 13 December 2012. 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 18 May 2014 or, if sooner, at the end of next year's Annual General Meeting.

Your Directors are committed to managing the Company's capital effectively. Although the Directors 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 at 13 December 2012 there were options outstanding over 332,850 ordinary shares which, if exercised at that date, would have represented 3.1% of the Company's issued ordinary share capital (excluding treasury shares). If the authority given by resolution 8 were to be fully used, these would then represent 3.3% 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 and signed by order of the Board:

D A Ruffell

Secretary

13 December 2012

Directors' Remuneration Report

The Remuneration Committee presents its report to shareholders on Directors' remuneration. Shareholders will be asked to approve the Directors' Remuneration Report and a resolution to that effect will be proposed at the Annual General Meeting on 19 February 2013.

The report has been prepared in accordance with the requirements of the Companies Act 2006, the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code appended to the Listing Rules.

Unaudited information

Remuneration Committee

The Company's policy on remuneration is determined by its Remuneration Committee. The Committee presently consists of Mr P W E Fitt - a Non-executive Director, Mr J N Anderson – Deputy Chairman and Mr K A Ritchie - Group Chairman. Mr D A Ruffell, the Chief Executive, served on the Committee up until 2 October 2012 when he was replaced by Mr K A Ritchie. Mr P W E Fitt chairs the Committee.

Remuneration policy

The Company's policy on remuneration is to offer competitive remuneration packages, which are designed to reward, retain and to motivate the Directors, having regard to the size and complexity of the Group. Other than share option schemes, there are no specific performance related elements included within remuneration, and the Committee will review this policy during the coming year.

The individual components of the remuneration package during the year were:

Basic salary

The basic salary of each Executive Director is determined by the Committee, giving due consideration to individual responsibility and performance and to salaries paid to Executive Directors of the Group companies and similar companies in comparable business sectors. Basic salaries are reviewed annually on 1 February.

Pension contributions

Executive Directors are members of the Company's defined contribution pension scheme in which the Company's contribution is a fixed percentage at 10% of basic salary. Benefits are not pensionable.

Benefits

Benefits paid to Executive Directors comprise taxable non-cash emoluments and include the provision of company cars and private health insurance. In addition, the Executive Directors participate in the Company's Group Life Insurance Scheme which provides a lump sum payment of four times basic salary.

Share option schemes

The Company provides share option schemes for Directors and for other members of staff. The Company grants options at the discretion of the Remuneration Committee.

Options are currently held under four share option schemes in which employees have been invited to participate. Two schemes were introduced in February 1998; one Inland Revenue approved and the other unapproved. The ability to issue further options under these two schemes has now expired. Two further share option schemes were introduced in March 2010; one Inland Revenue approved and the other unapproved.

The exercise of options granted under all share option schemes is dependent upon the growth in the earnings per share of the Company, over any three consecutive financial years following the date of grant, exceeding the growth in the retail price index over the same period by at least 9 per cent.

The performance conditions are aimed to align Directors' performance to shareholder value and were selected by the Remuneration Committee on the advice of the Company's solicitors (the performance conditions are detailed in note 24 to the Financial Statements). Actual earnings per share performance will be determined by the Remuneration Committee.

Directors' Remuneration Report (continued)

Directors' contracts

All Executive Directors have service contracts, entered into on 1 August 2012, which are renewed annually and which provide for a 6 month notice period to be given either by the Company or by the Director. All Executive Directors' current contracts expire on 31 July 2013.

The three Non-executive Directors have service contracts that do not contain notice periods and which expire on 31 January 2013 or 31 July 2013. The remuneration for the Company's Non-executive Directors is set by the Board, and consists of fees for their services in connection with their role as Director and, where relevant, for additional services such as chairing Board Committees. They are not eligible for pension scheme membership and do not participate in any of the Company's share option schemes.

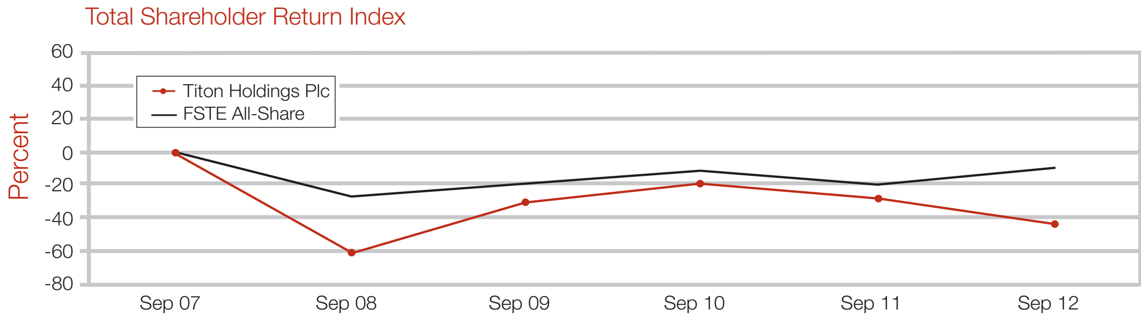
The Company's policy on the duration of, and notice periods and termination payments under, Directors' contracts is designed to attract and retain persons of the calibre required by the Company, with due regard being given to the interests of shareholders.

There are no pre-determined special provisions for Executive or Non-executive Directors with regard to compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

The Directors may not directly or indirectly hold any directorship or engage or be interested in any other business other than the Company or any other Group company during the term of their contracts without the previous written consent of the Board.

Performance graph

The following graph shows the Company's 5-year performance, measured by total shareholder return, compared with the equivalent performance of the FTSE All-Share Index.



This graph shows the percentage change in value of £1 invested in the Company on 30 September 2007 (assuming dividends reinvested) compared with the percentage change in value of £1 (assuming dividends reinvested) in the FTSE All-Share Index. The Directors consider the FTSE All-Share Index to be an appropriate choice as the Company is included within it.

Audited information

The following disclosures on Directors' remuneration and share options have been audited.

Directors' remuneration

The remuneration paid to the Directors during the year was as follows:

	*Salary and fees after 'salary sacrifice'	Benefits	Total emoluments		Pension contributions	
			2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Executive:						
T N Anderson	73	13	**86**	86	**9**	9
R Brighton - resigned 30 April 2011	-	-	**-**	53	**-**	4
N C Howlett	73	6	**79**	79	**9**	8
C S Jarvis	58	9	**67**	66	**11**	11
C J Martin - resigned 14 Sept 2012 **	97	7	**104**	67	**12**	12
K A Ritchie - appointed 30 April 2012	52	4	**56**	-	**6**	-
D A Ruffell	92	16	**108**	106	**20**	20
Non-executive:						
J N Anderson	65	26	**91**	96	**-**	-
P W E Fitt ***	10	-	**10**	10	**-**	-
P E O'Sullivan ****	17	-	**17**	21	**-**	-
	537	81	**618**	584	**67**	64

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

** Inclusive of £36,137 relating to pay in lieu of notice and redundancy pay

*** Inclusive of £6,150 relating to consultancy fees for 2012 (2011: £6,100)

**** Inclusive of £14,842 relating to consultancy fees for 2012 (2011: £18,175)

The remuneration package of each Executive Director includes non-cash benefits comprising the provision of a company car and private health insurance. The private health insurance scheme is ending on 1 December 2012.

The aggregate gains made by Directors on the exercise of share options during 2012 were £nil (2011: £nil).

Directors' Remuneration Report (continued)

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 2011	Granted during the year	Lapsed during the year	At 30 September 2012
			Number	Number	Number	Number
T N Anderson	(a)	103.5p	10,000	-	(10,000)	-
	(c)	91.0p	3,150	-	-	3,150
	(d)	48.0p	34,950	-	-	34,950
			48,100	-	(10,000)	38,100
N C Howlett	(a)	103.5p	10,000	-	(10,000)	-
	(b)	99.0p	10,000	-	-	10,000
	(d)	48.0p	35,000	-	-	35,000
			55,000	-	(10,000)	45,000
C S Jarvis	(a)	103.5p	10,000	-	(10,000)	-
	(c)	91.0p	10,000	-	-	10,000
	(d)	48.0p	20,000	-	-	20,000
			40,000	-	(10,000)	30,000
C J Martin	(a)	103.5p	10,000	-	(10,000)	-
	(d)	48.0p	20,000	-	-	20,000
			30,000	-	(10,000)	20,000
D A Ruffell	(a)	103.5p	25,000	-	(25,000)	-
	(c)	91.0p	14,000	-	-	14,000
	(d)	48.0p	45,000	-	-	45,000
			84,000	-	(25,000)	59,000

K A Ritchie, J N Anderson, P W E Fitt and P E O'Sullivan 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 2012 and 13 December 2012.

The options are exercisable between the following dates:

(a)	18 January 2005	and	18 January 2012
(b)	18 May 2008	and	18 May 2015
(c)	18 May 2009	and	18 May 2016
(d)	9 June 2014	and	9 June 2021

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 2012 the market price of the Company's shares was 33.0p, and the range during the year was 31.5p to 44.0p.

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

P W E Fitt

Remuneration Committee Chairman

13 December 2012

Corporate Governance Report

Compliance with the UK Corporate Governance Code

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 countries in which it operates and adopts proper 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 UK Corporate Governance Code ("the Code"; formerly the Combined Code) as issued by the FRC in June 2010. The Code can be found on the FRC website (www.frc.org.uk). Further explanation of how both the main provisions and the supporting provisions have been applied is set out below and in the Directors' Remuneration Report. The Directors confirm that the Group was compliant with all relevant provisions of Section 1 of the Code throughout the accounting period and up to the date of the Directors' Report except in the following areas:

- The Company has five Executive Directors and three Non-executive Directors. The Non-executive Directors are not deemed to be independent under the provisions of paragraphs B.1.1 and B.1.2 of the Code in respect of the Board comprising at least two independent Non-executive directors. However, the Executive Directors consider that the current Non-executive Directors are of sufficient character and independence to challenge the opinions of the Executive Directors whilst, at the same time, providing a valuable contribution themselves to the strategic direction of the Company.

- The Non-executive Directors have not met during the year to appraise the Chairman's performance and therefore the Company does not comply with part of paragraph A.4.2. The Non-executive Directors feel that in respect of this matter a formal process is unnecessary.

- The Company has not appointed a senior independent director and therefore the Company does not comply with part of paragraphs A.4.1 and E.1.1 of the Code. The Directors do not consider this is to be necessary in a company of this size and complexity.

- The Company does not have a nomination committee and therefore does not comply with paragraphs B.2.1, B.2.2 and B.2.4. The Directors feel that the nomination and appointment of Directors can be adequately carried out by the Board as a whole.

- The Chairman has not regularly reviewed and agreed with each of the Executive and Non-executive Directors their training and development needs and the Company has therefore not complied with paragraph B.4.2. The Board believes that this is not appropriate for a Company of this size and complexity. The Company operates an employee performance management system that encompasses the Executive Directors.

- The Company has not undertaken performance evaluation of the Chairman, the Board as a whole or the Board Committees and has not therefore complied with paragraph B.6.3 of the Code. The Directors believe that this is not appropriate for a Company of this size and complexity.

- The Company has three Non-executive Directors who have served more than nine years on the Board. The Board does not intend to submit such Directors for annual re-election by shareholders and therefore the Company does not comply with paragraph B.2.3 and B.7.1.

- The Company's Audit Committee currently comprises one Non-executive Director, the Executive Chairman and the Chief Executive and therefore the Company does not comply with paragraph C.3.1. The Directors consider that this present structure is appropriate for a company of this size and complexity.

- The Company's Remuneration Committee does not consist exclusively of non-executive Directors and therefore does not comply with paragraph D.2.1. The Directors consider that the current structure of the Committee is more appropriate for assessing Directors' performance and contribution.

The Board is accountable to the Company's shareholders for good corporate governance and the statements set out on pages 17 to 20 describe how the principles identified in the Code are applied by the Company.

Corporate Governance Report (continued)

Composition and operation of the Board of Directors

As at 30 September 2012 the Board consisted of the Executive Director (Chairman), the Chief Executive, three other Executive Directors and three 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 adhoc 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
Total meetings held	**6**	**1**	**1**
K A Ritchie	2	-	1
D A Ruffell	6	1	1
T N Anderson	6	-	-
N C Howlett	6	-	-
C S Jarvis	6	-	-
J N Anderson	6	1	-
P W E Fitt	4	1	1
P E O'Sullivan	4	-	-

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 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 Directors who retire by rotation are Mr Keith Archibald Ritchie and Mr David Alan Ruffell. Both Directors, being eligible, offer themselves for re-election.

- Keith Ritchie became Executive Chairman as of 1 July 2012. Prior to that Keith was a Non Executive Director of Titon between February 2005 and June 2009 and has maintained close links with the Company since 2009. Keith, a Chartered Accountant, has had a long career in the City of London working for a number of financial institutions, most recently Bank of America Merrill Lynch for 12 years as a Director in the Global Markets division and a board member of a number of subsidiary companies, with executive responsibilities.
- David Ruffell joined the Group in 1988 at the time of its flotation on the United Securities Market. He was appointed Finance Director of Titon Hardware Limited in 1993, joined the main Board in 1997 as Group Finance Director and became Chief Executive in 2002.

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

The Remuneration Committee

The Remuneration Committee, which determines the Company's policy on Directors' remuneration, met once during the financial year and Mr P W E Fitt, Mr J N Anderson and Mr D A Ruffell attended the meetings.

The Remuneration Committee 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 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.
- 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.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 13 to 16.

The Audit Committee

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.

The Audit Committee is appointed by the Board for a period of three years and comprises Mr P W E Fitt, Mr K A Ritchie and Mr D A Ruffell and is chaired by Mr P W E Fitt.

The Audit Committee met once during the financial year and all three Committee members attended the meeting. The Audit Committee terms of reference, established by the Board, are 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;
- Review the Group's internal financial controls and risk management systems;
- Review arrangements by which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters;
- Consider at least annually the need for an internal audit function;
- Make recommendations to the Board of Directors for it to put to the shareholders for their approval in general meeting, in relation to the appointment or re-appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

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

The Company's auditors, BDO LLP, have been instructed to carry out non-audit work during the year as detailed in note 6 to the financial statements. The non-audit work primarily comprised tax compliance work. The provision of these services represents a low risk to auditor independence which is safeguarded by separation of staff and supervision within BDO LLP.

Corporate Governance Report (continued)

Communications with shareholders

The Board recognises the importance of communications with shareholders. The Business Review gives a detailed review of the business, and there is regular dialogue with institutional shareholders following the Group's preliminary announcement of the year end results and at the half year.

The Group's results and other announcements are published to 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.

Risk management and internal control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 9, 21 and 22. The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness.

Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which complies with the guidance given by the Turnbull Committee. This has been in place throughout the year and up to the date of approval of the Annual Report. The process is regularly reviewed by the Board.

The key procedures that the Directors have established to provide effective internal control include:

- an appropriate control environment through the definition of the organisation structure and authority levels.
- the identification of the major business risks facing the Group and the development of appropriate procedures and controls to manage these risks.
- a comprehensive budgeting and reporting system with monthly results compared with budgets and with previous years.

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 have, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control by reviewing the procedures noted above and are satisfied that it is appropriate to the size of the business.

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

The Corporate Governance Report was approved by the Board on 13 December 2012 and signed on its behalf by:

K A Ritchie
Chairman

Independent Auditors' Report

Independent Auditors' Report to the members of Titon Holdings Plc

We have audited the financial statements of Titon Holdings Plc for the year ended 30 September 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2012 and of the group's loss 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the information given in the Corporate Governance Statement set out on pages 17 to 20 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditors' Report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 and the part of the directors' remuneration report to be audited 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 10 in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Gary Hanson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Cambridge
United Kingdom
13 December 2012

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 2012

	Note	2012 £'000	2011 £'000
Revenue	3	**14,548**	15,995
Cost of sales		**(11,668)**	(12,376)
Gross profit		**2,880**	3,619
Distribution costs		**(665)**	(622)
Administrative expenses		**(3,186)**	(2,992)
Operating (loss) / profit		**(971)**	5
Finance income	5	**26**	36
Share of losses from associate	13	**(39)**	(7)
(Loss) / profit before tax	6	**(984)**	34
Income tax credit	7	**247**	155
(Loss) / profit after income tax		**(737)**	189
Attributable to:			
Equity holders of the parent		**(721)**	171
Non-controlling interest		**(16)**	18
(Loss) / profit for the year		**(737)**	189
(Loss) / earnings per share - basic	9	**(6.83p)**	1.62p
- diluted	9	**(6.83p)**	1.62p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012

	2012 £'000	2011 £'000
(Loss) / profit for the year	**(737)**	189
Exchange difference on retranslation of overseas operations	**6**	(11)
Total comprehensive (loss) / income for the year	**(731)**	178
Attributable to:		
Equity holders of the parent	**(715)**	160
Non-controlling interest	**(16)**	18
	(731)	178

The notes on pages 27 to 48 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 September 2012

	Note	2012 £'000	2011 £'000
Assets			
Property, plant and equipment	10	**3,484**	3,682
Intangible assets	11	**774**	586
Investments in associates	13	**48**	87
Total non-current assets		**4,306**	4,355
Inventories	14	**2,578**	2,593
Trade and other receivables	15	**3,133**	3,283
Corporation tax		**75**	71
Cash and cash equivalents	19	**1,840**	2,864
Total current assets		**7,626**	8,811
Total Assets		**11,932**	13,166
Liabilities			
Deferred tax	16	**210**	392
Total non-current liabilities		**210**	392
Trade and other payables	17	**2,478**	2,623
Bank overdraft	19	**27**	17
Corporation tax		**20**	6
Total current liabilities		**2,525**	2,646
Total Liabilities		**2,735**	3,038
Equity			
Share capital	18	**1,056**	1,056
Share premium reserve		**865**	865
Capital redemption reserve		**56**	56
Translation reserve		**(7)**	(13)
Retained earnings		**7,096**	8,017
Total Equity attributable to equity holders of the parent		**9,066**	9,981
Non-controlling Interest		**131**	147
Total Equity		**9,197**	10,128
Total Liabilities and Equity		**11,932**	13,166

The notes on pages 27 to 48 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 13 December 2012 and signed on its behalf by:

K A Ritchie
Chairman

Consolidated Statement of Changes in Equity

at 30 September 2012

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 October 2010	**1,056**	**865**	**56**	**(2)**	**8,038**	**10,013**	**-**	**10,013**
Translation differences on overseas operations	-	-	-	(11)	-	(11)	-	(11)
Profit for the year	-	-	-	-	171	171	18	189
Total Comprehensive Income for the year	-	-	-	(11)	171	160	18	178
Dividends paid	-	-	-	-	(237)	(237)	-	(237)
Share-based payment expense	-	-	-	-	3	3	-	3
Dilution of ownership of subsidiary	-	-	-	-	42	42	129	171
At 30 September 2011	**1,056**	**865**	**56**	**(13)**	**8,017**	**9,981**	**147**	**10,128**
Translation differences on overseas operations	-	-	-	6	-	6	-	6
Loss for the year	-	-	-	-	(721)	(721)	(16)	(737)
Total Comprehensive Income for the year	-	-	-	6	(721)	(715)	(16)	(731)
Dividends paid	-	-	-	-	(211)	(211)	-	(211)
Share-based payment expense	-	-	-	-	11	11	-	11
At 30 September 2012	**1,056**	**865**	**56**	**(7)**	**7,096**	**9,066**	**131**	**9,197**

The notes on pages 27 to 48 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
Translation 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

Consolidated Statement of Cash Flows

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Cash generated from operating activities			
(Loss) / profit before tax		**(984)**	34
Depreciation of property, plant & equipment		**496**	530
Amortisation on intangible assets		**117**	105
Decrease / (increase) in inventories		**21**	(79)
Decrease in receivables		**151**	127
(Decrease) / increase in payables and other current liabilities		**(145)**	99
Profit on sale of plant & equipment		**(11)**	(31)
Share based payment – equity settled		**11**	3
Interest received		**(26)**	(36)
Share of associate's loss		**39**	7
Cash (used in) / generated from operations		**(331)**	759
Income taxes refunded / (paid)		**74**	(119)
Net cash (used in) / generated from operating activities		**(257)**	640
Cash flows from investing activities			
Purchase of plant & equipment		**(327)**	(470)
Purchase of intangible assets		**(305)**	(265)
Proceeds from sale of plant & equipment		**40**	33
Interest received		**26**	36
Net cash used in investing activities		**(566)**	(666)
Cash flows from financing activities			
Dividends paid to equity shareholders		**(211)**	(237)
Net cash used in financing activities		**(211)**	(237)
Net decrease in cash & cash equivalents	22	**(1,034)**	(263)
Cash & cash equivalents at beginning of the year		**2,847**	3,110
Cash & cash equivalents at end of the year	19, 22	**1,813**	2,847

The notes on pages 27 to 48 form part of these financial statements.

Notes to the Consolidated Financial Statements

at 30 September 2012

General information

The consolidated financial statements of the Group for the year ended 30 September 2012 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group").

Titon Holdings Plc shares are publicly traded on the Official List of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 5. The consolidated financial statements were authorised for release on 13 December 2012.

1 Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union 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.

The Directors have prepared the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and these are presented separately on pages 49 to 54.

During the period, the following new standards, amendments and interpretations to existing standards were published. None had an impact on the reported result of the Group.

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:

- Amendments to IFRS 7 - Transfers of Financial Assets - disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset
- Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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 does not currently believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group.

	Effective date (periods beginning)
• Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale	1 January 2012
• Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income. This Amendment requires companies to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the income statement	1 July 2012

Notes to the Consolidated Financial Statements

at 30 September 2012

Summary of significant accounting policies (continued)

(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 2012. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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. 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).

(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 functional and presentational currency of the Company, 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 equity (the "translation reserve").

Upon disposal of overseas subsidiaries, 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 95% 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 or deemed 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	-	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)).

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.

Goodwill arising on acquisitions is set off against reserves in accordance with Accounting Standards applicable at the time of acquisition. For all business combinations occurring prior to 1 October 2004, their accounting treatment was not restated in preparing the Group's opening IFRS balance sheet at 1 October 2004. The Group took advantage of the exemption not to restate acquisitions prior to the date of transition.

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;
- 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.

Notes to the Consolidated Financial Statements

at 30 September 2012

Summary of significant accounting policies (continued)

(e) Intangible assets (continued)

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 and customer bases, 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	-	cost of purchase on first in, first out basis.
Work in progress and finished goods	-	cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal. 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. Details of the inputs to the option pricing model are shown in note 24 to the financial statements.

The fair value of the options are 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.

(i) Employee benefits (continued)

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 usually recognised when the significant risks and rewards of ownership have passed to the customer, which is upon the transport of the goods from the company's premises.

(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 tax rates 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, 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.

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.

Notes to the Consolidated Financial Statements

at 30 September 2012

Summary of significant accounting policies (continued)

(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 purpose for which the asset was acquired. The Group holds only one class of financial assets, namely loans and receivables which comprise trade and other receivables and cash and cash equivalents in the balance sheet.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value and subsequently carried at amortised cost.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within distribution expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three 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 classifies its financial liabilities depending on the purpose for which the liability was acquired. 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) 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.

2 Critical accounting estimates and judgements

The Group makes estimates and assumptions 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 and assumptions 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).

2 Critical accounting estimates and judgements (continued)

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).

Impairment of assets

Investments, property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit is determined based on value in-use calculations prepared on the basis of management's assumptions and estimates (see notes 1 (h), 10 and 11 of the Consolidated Financial Statements).

Share-based payments

The charge for share-based payment is calculated in accordance with the assumptions described in note 24. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free rate of return and expected staff turnover. The Directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

3 Revenue and segmental information

IIn 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 three main business segments which are:

Segment	Activities undertaken include:
United Kingdom	Sales of passive and powered ventilation products to house builders, electrical contractors and window manufacturers. In addition to this, it is a leading supplier of window hardware to its window-manufacturing customers.
South Korea	Sales of passive ventilation products to construction companies
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 not allocated to the business activities for which R&D is specifically performed and it is not therefore reported as a separate operating segment. Research and development expenses are included within the total un-allocated expenses figures set out below.

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

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 over page.

Notes to the Consolidated Financial Statements

at 30 September 2012

3 Revenue and segmental information (continued)

Business segment **For the year ended 30 September 2012**	United Kingdom £'000	South Korea £'000	All other countries £'000	Consolidated £'000
Segment revenue	11,213	1,916	1,419	14,548
Inter-segment revenue	-	-	213	213
Total Revenue	**11,213**	**1,916**	**1,632**	**14,761**
Depreciation and amortisation	538	87	4	629
Operating profit / (loss) - segment result	**1,473**	**(74)**	**75**	**1,474**
Unallocated expenses				(2,445)
Losses from associates				(39)
Finance income				26
Loss before tax				(984)
Tax credit				247
Loss for the year				**(737)**
Total assets	**10,113**	**1,606**	**213**	**11,932**
Total assets include: Investments in associates	48	-	-	48
Additions to non-current assets (other than financial instruments and deferred tax assets)	583	49	-	632

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 2012	United Kingdom	Europe	USA	South East Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	12,066	-	566	1,916	-	14,548
By country from which derived	11,212	786	566	1,916	68	14,548
Non-current assets						
By entities' country of domicile	4,023	-	1	282	-	4,306

Business segments

The Group's operations are separated between Group manufactured products and bought in products. The following table provides an analysis of the Group's external revenue by source of products, irrespective of the geographical region of sale.

	2012 £'000	2011 £'000
Group manufactured products	**10,018**	10,774
Bought in products	**4,530**	5,211
Revenue	**14,548**	15,995

3 Revenue and segmental information (continued)

Business segment **For the year ended 30 September 2011**	United Kingdom £'000	South Korea £'000	All other countries £'000	Consolidated £'000
Segment revenue	12,245	2,282	1,468	15,995
Inter-segment revenue	-	-	160	160
Total Revenue	**12,245**	**2,282**	**1,628**	**16,155**
Depreciation and amortisation	538	87	4	629
Operating profit - segment result	**2,121**	**36**	**91**	**2,248**
Unallocated expenses				(2,243)
Losses from associates				(7)
Finance income				36
Profit before tax				34
Tax credit				155
Profit for the year				**189**
Total assets	**11,330**	**1,706**	**130**	**13,166**
Total assets include: Investments in associates	87	-	-	87
Additions to non-current assets (other than financial instruments and deferred tax assets)	718	222	1	941

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 2011	United Kingdom	Europe	USA	South East Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	13,277	-	436	2,282	-	15,995
By country from which derived	12,245	980	436	2,330	4	15,995
Non-current assets						
By entities' country of domicile	4,182	-	5	277	-	4,464

Notes to the Consolidated Financial Statements

at 30 September 2012

4 Directors and employees

Staff costs, including Directors, were as follows:	**2012 £'000**	2011 £'000
Wages and salaries	**4,037**	4,014
Employer's social security costs and similar taxes	**376**	365
Defined contribution pension cost	**332**	320
Share based payment expense – equity settled	**11**	3
	4,756	4,702

The average monthly number of employees during the year was as follows:	**Number**	Number
Manufacturing	**104**	102
Sales, marketing and administration	**73**	84
	177	186

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 13 to 16.

5 Finance income

	2012 £'000	2011 £'000
Bank interest receivable on short term deposits	**26**	36

6 (Loss) / profit before tax

This is arrived at after charging/(crediting):		**2012 £'000**	2011 £'000
Depreciation of property, plant and equipment		**496**	530
Amortisation of intangible assets		**117**	99
Research and development expenditure written off		**402**	393
Operating lease rentals - land and buildings		**76**	76
Operating lease rentals - vehicles		**80**	62
Foreign exchange losses		**11**	8
Share based payment expense		**11**	3
Profit on disposal of fixed assets		**(11)**	(31)
Auditors' remuneration	- for the audit of these accounts	**47**	47
	- for tax compliance services	**6**	6
	- for other non-audit services	**5**	5

7 Tax credit

	Note	2012 £'000	2011 £'000
Corporation tax credit		**(56)**	(65)
Adjustment in respect of (over) / under provision in prior years		**(9)**	2
Total corporation tax		**(65)**	(63)
Deferred tax – origination and reversal of temporary differences	16	**(182)**	(92)
Income tax credit		**(247)**	(155)

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

	2012 £'000	2011 £'000
(Loss) / profit before tax	**(984)**	34
Effect of:		
Expected tax charge based on the standard rate of corporation tax in the UK of 25% (2011: 27%)	**(246)**	9
Additional deduction for R&D expenditure	**(85)**	(70)
Expenses not deductible for tax purposes	**13**	26
Difference in deferred tax rates	**(4)**	(33)
Other short term timing differences	**(1)**	(80)
Unrelieved tax losses	**-**	(9)
Surrender of losses for R&D tax credit	**85**	-
Adjustments in respect of prior periods	**(9)**	2
Income tax credit	**(247)**	(155)

8 Dividends

	2012 £'000	2011 £'000
Final 2011 dividend of 1.0 pence (2010: 1.25 pence) per ordinary share paid and proposed during the year relating to the previous year's results	**106**	132
Interim dividend of 1.0 pence (2011: 1.0 pence) per ordinary share paid during the year	**105**	105
	211	237

The Directors are proposing a final dividend of 0.5 pence (2011: 1.0 pence) per share. This will result in a final dividend totalling £52,800 (2011: £105,000), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

Notes to the Consolidated Financial Statements
at 30 September 2012

9 (Loss) / earnings per ordinary share

The calculation of the basic and diluted (losses) / earnings per share is based on the following data:	**2012 £'000**	2011 £'000
Numerator		
(Loss) / profit for the purposes of basic earnings per share being (Loss) / profit after tax attributable to members of Titon Holdings Plc	**(721)**	171
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic (loss) / earnings per share – at the beginning and end of the year	**10,555,650**	10,555,650
(Loss) / earnings per share (pence)		
Basic	**(6.83p)**	1.62p
Diluted	**(6.83p)**	1.62p

No employee options have been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year. The total number of options in issue is disclosed in the note 24.

10 Property, plant and equipment

	Freehold land and buildings	Improvements to leasehold property	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2010	3,453	56	6,669	616	10,794
Additions	-	5	383	82	470
Disposals	-	-	(140)	(179)	(319)
At 1 October 2011	3,453	61	6,912	519	10,945
Additions	-	-	296	31	327
Disposals	-	-	(139)	(139)	(278)
At 30 September 2012	**3,453**	**61**	**7,069**	**411**	**10,994**
Depreciation					
At 1 October 2010	913	52	5,619	466	7,050
Charge for the year	64	4	386	76	530
Disposals	-	-	(140)	(177)	(317)
At 1 October 2011	977	56	5,865	365	7,263
Charge of the year	64	5	371	56	496
Disposals	-	-	(138)	(111)	(249)
At 30 September 2012	**1,041**	**61**	**6,098**	**310**	**7,510**
Net book value					
At 30 September 2012	**2,412**	**-**	**971**	**101**	**3,484**
At 30 September 2011	2,476	5	1,047	154	3,682

10 Property, plant and equipment (continued)

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 2012, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £45,000 (2011: £43,000).

11 Intangible assets

	Computer software	Development costs (Internally generated)	Goodwill	Patents	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2010	312	139	-	-	451
Additions	196	69	-	-	265
Additions arising from Business Combinations	-	-	78	128	206
Disposals	(14)	-	-	-	(14)
At 1 October 2011	494	208	78	128	908
Additions	207	88	-	10	305
Disposals	(8)	-	-	-	(8)
At 30 September 2012	**693**	**296**	**78**	**138**	**1,205**
Amortisation					
At 1 October 2010	197	40	-	-	237
Charge for the year	6	46	-	47	99
Disposals	(14)	-	-	-	(14)
At 1 October 2011	189	86	-	47	322
Charge for the year	8	59	-	50	117
Disposals	(8)	-	-	-	(8)
At 30 September 2012	**189**	**145**	**-**	**97**	**431**
Net book value at 30 September 2012	**504**	**151**	**78**	**41**	**774**
At 30 September 2011	305	122	78	81	586

The Group has contractual commitments for computer software costs of £nil (2011 - £31,000). All assets have an average useful economic life of 4.2 years (2011 3.6 years) except for Goodwill which has an indefinite useful economic life.

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.

Notes to the Consolidated Financial Statements

at 30 September 2012

12 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership is given in note 5 to the Parent Company's separate financial statements.

13 Associates

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

Name of associate	Country of incorporation	Proportion of voting rights held at 30 September 2011 and 2012
Browntech Sales Co. Ltd	South Korea	49%

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

The Group's share of the aggregated amounts relating to associates is as follows:

	2012 £'000	2011 £'000
Total Assets	**436**	464
Total Liabilities	**477**	466
Revenues	**1,386**	1,509
Loss	**(39)**	(7)

The associate Browntech Sales Co. Ltd has been included based on audited financial statements drawn up to for the year to 30 September 2012. Transactions between the associate and the Group are set out in note 25.

The Group's investment in the associate at 30 September 2012 includes £197,000 (2011: £197,000) of goodwill.

14 Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	**899**	772
Work in progress	**111**	120
Finished goods and goods for resale	**1,568**	1,701
	2,578	2,593

No inventories (2011: £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 £33,000 (2011: net debit of £8,000) 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.

15 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**2,314**	2,498
Related parties receivables	**537**	482
Loans to related parties	**112**	109
Other receivables	**77**	109
Prepayments and accrued income	**93**	85
Total trade and other receivables	**3,133**	3,283

Other than the amounts due from related parties there were no significant concentrations of credit at either 30 September 2012 or 30 September 2011.

The average credit period taken on sale of goods by trade debtors is 62 days (2011: 56 days).

The Directors are confident that the loans to related parties will be repaid and therefore the carrying amount of the loans are approximate to their fair value.

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, 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.

Movement on the provision for impairment of trade receivables are as follows:	2012 £'000	2011 £'000
At the beginning of the year	**67**	78
Provision for receivables impairment	**68**	92
Receivables written off during the year as uncollectible	**(44)**	(88)
Unused amounts reversed	**(2)**	(15)
At the end of the year	**89**	67

As at 30 September 2012 trade receivables of £1,006,000 (2011: £937,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2012 £'000	2011 £'000
Up to 3 months	**989**	935
3 up to 6 months	**17**	2
	1,006	937

As at 30 September 2012 trade receivables of £89,000 (2011: £67,000) were past due and impaired. These relate to a number of customers. The ageing analysis of these receivables is as follows:

	2012 £'000	2011 £'000
Up to 3 months	**44**	54
3 up to 6 months	**6**	-
6 up to 12 months	**39**	13
	89	67

Notes to the Consolidated Financial Statements
at 30 September 2012

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011: 25%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances	Trading losses	Other temporary differences	Total
	£'000	£'000	£'000	£'000
At 1 October 2010	477	-	(28)	361
Deferred tax arising on business combination	-		35	35
Charge / (credit) to the income statement	(33)	-	(59)	(92)
At 1 October 2011	444	-	(52)	392
Credit to the income statement	(53)	(98)	(31)	(182)
At 30 September 2012	**391**	**(98)**	**(83)**	**210**

17 Trade and other payables - current

	2012	2011
	£'000	£'000
Trade payables	**1,394**	1,747
Other payables	**251**	203
Other tax and social security taxes	**390**	386
Accruals	**443**	287
	2,478	2,623

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year end trade payables represent 50 days (2011: 56 days) average purchases.

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

18 Share capital

	2012 £'000	2011 £'000
Authorised		
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:

	2012 Number	**2012 £'000**	2011 Number	2011 £'000
At the beginning and end of the year	**10,555,650**	**1,056**	10,555,650	1,056

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		
21.05.04	91.0p	18,150	21.05.07	and	21.05.14
18.05.05	99.0p	16,300	18.05.08	and	18.05.15
18.05.06	91.0p	35,300	18.05.09	and	18.05.16
16.05.07	127.5p	3,150	17.05.10	and	17.05.17
09.06.11	48.0p	259,950	09.06.14	and	09.06.21
At 30 September 2012		**332,850**			
At 30 September 2011		442,150			

No share options were exercised between 30 September 2012 and 13 December 2012

Notes to the Consolidated Financial Statements
at 30 September 2012

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 on page 32 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 net of overdrafts (see below) at 30 September were:

Currency	2012 £'000	2011 £'000
Sterling	**1,612**	2,653
US Dollar	**179**	105
Euro	**14**	56
South Korean Won	**8**	33
	1,813	2,847

The Sterling financial assets had a weighted average interest rate of 1.1% (2011: 1.1%), which was arranged monthly. The remainder comprise bank current accounts.

Financial liabilities

The Group's floating rate financial liabilities at 30 September 2012 comprise solely of a Sterling bank overdraft in the sum of £27,000 (2011: £17,000) repayable on demand. This 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 8, describes 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.

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.

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 over the page.

20 Financial instruments - risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer 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. Such credit ratings are taken into account by local business practices.

The Group's finance function has established a credit policy under which each new customer is analysed individually for creditworthiness 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 a on-going basis. Customers that fail to meet the Group's benchmark creditworthiness 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 "A" rating.

Quantitative disclosures of the credit risk exposure in relation to Trade and other receivables, which are neither past due nor impaired, are disclosed 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. 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 Pound Sterling or US Dollar) 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 the 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 their net assets.

More than 95% of sales from the Group's UK business are invoiced in Sterling. Purchases made by the UK business from four overseas suppliers are invoiced to the Group in the local currency of that supplier.

Notes to the Consolidated Financial Statements

at 30 September 2012

21 Leases

Operating leases

The Group leases its headquarters offices in Stanway, Essex on a tenant repairing lease basis. The Group has the option to renew the lease at its expiry in March 2014. The two year tenancy of the factory unit in South Korea ends in February 2014. 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:

Operating leases which expire within:	**2012 £'000**	2011 £'000
Not later than one year	**4**	114
Later than one year and not later than five years	**278**	130
	282	244

22 Notes supporting the statement of cash flows

The table below provides an analysis of net cash and cash equivalents during the year ended 30 September:

	2012 £'000	2011 £'000
Cash available on demand	**1,580**	273
Short-term deposits	**260**	2,591
Cash at bank	**1,840**	2,864
Overdraft	**(27)**	(17)
	1,813	2,847
Net decrease in cash equivalents	**(1,034)**	(263)
Cash and cash equivalents at beginning of year	**2,847**	3,110
Cash and cash equivalents at end of year	**1,813**	2,847

The acquisition of certain intangible assets during 2011 constituted a significant non-cash transaction.

23 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 4). The unpaid contributions outstanding at the year end, included in accruals (note 17) are £26,000 (2011: £26,000).

24 Share-based payments

Equity settled share option scheme

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

There are presently two equity settled share option schemes; one Inland Revenue approved and the other unapproved in which employees may be invited to participate. Both of these schemes were introduced in 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.

In accordance with IFRS 2, the fair value of outstanding equity settled share based option awards to employees, which have been granted after 7 November 2002, but not vested as at 1 January 2005, are recognised as an expense to the income statement.

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.

Details of the share options outstanding during the year are as follows:

	2012	**2012**	2011	2011
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**442,150**	**63.3p**	192,200	99.8p
Granted during the year	**-**	**-**	259,950	48.0p
Lapsed during the year	**(109,300)**	**103.1p**	(10,000)	103.5p
Outstanding at the end of the year	**332,850**	**58.2p**	442,150	69.3p

There were no share options which met the conditions of exercise, mentioned above, during the year (2011: nil).

The options outstanding at 30 September 2012 had a weighted average price of 58.2p (2011: 69.3p) and a weighted average remaining contractual life of 7.4 years (2011: 6.4 years). No share options were granted in the year to 30 September 2012. The charge to the income statement for the options granted in previous years was £11,000 (2011: £3,000).

The Black-Scholes option pricing model has been used for calculating the fair value of the Group's share options. The calculated fair values of the share option awards are adjusted to reflect actual and expected vesting levels.

Assumptions used in the option pricing model

a) The expected life (the period between the date of grant and exercise) of a share option is 6 years.

b) Each issue of share option awards is assessed at the date of grant to calculate the total fair value. The fair value of share options is charged to the income statement over the 3 year vesting period.

c) Share price volatility is calculated by looking back six years from the date of grant for each share option, as it is expected that the historic volatility in the share price is the best measure of likely movement in the share price in the future and therefore during the life of the share option from the date of grant until the date of exercise.

d) Volatility has been calculated using the historic weekly movement, rather than daily movement, in the Company's share price as this is, in the opinion of the Directors, the most reasonable measure of the share price.

e) Dividend yields are expected to be similar to those in recent years.

f) A risk free rate of return has been used based on the Bank of England zero coupon rates.

Notes to the Consolidated Financial Statements
at 30 September 2012

25 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.

Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. 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 15 of this document.

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

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

	Sale of goods		Amount owed by related party	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Browntech Sales Co. Ltd	**1,916**	2,282	**537**	482

The Group expects trading debts between subsidiaries and associates to be settled on a standard commercial basis. In addition, Titon Holdings Plc has provided Browntech Sales Co. Ltd with a £100,000 unsecured loan (see note 11 of the Parent company financial statements).

Parent Company Balance Sheet

at 30 September 2012

Company No. 01604952

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	4	**2,440**	2,514
Investments in subsidiaries	5	**550**	550
Investments in associates	5	**225**	225
		3,215	3,289
Current assets			
Debtors	6	**3,951**	2,846
Cash at bank and in hand		**1,470**	2,591
		5,421	5,437
Creditors: amounts falling due within one year	7	**(93)**	(96)
Net current assets		**5,328**	5,341
Total assets less current liabilities		**8,543**	8,630
Capital and reserves			
Called up share capital	9	**1,056**	1,056
Share premium account	10	**865**	865
Capital redemption reserve	10	**56**	56
Profit and loss account	10	**6,566**	6,653
Equity shareholders' funds	10	**8,543**	8,630

The notes on pages 50 to 54 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 13 December 2012 and signed on its behalf by:

K A Ritchie
Chairman

Notes to Parent Company Financial Statements

at 30 September 2012

Titon Holdings Plc (the Company) is incorporated in the United Kingdom under the Companies Act 2006. The address and the registered office are given on page 60.

1 Significant accounting policies

a) Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, except for the treatment of certain financial instruments, in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) and law.

The Company has taken advantage of the exemption allowed under FRS 26 'Financial Instruments: Recognition and Measurement', not to restate within the parent company accounts details of financial instruments as these are included within the Group's consolidated financial statements.

(b) Property and other fixed assets

Owned assets

Items of property and other fixed assets are stated at cost or deemed cost less accumulated depreciation (see below).

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except freehold land, over their expected useful lives. It is calculated, on a straight line basis, at the following annual rates:

Freehold buildings	-	2%
Motor vehicles	-	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If there is any impairment to the value of tangible fixed assets a charge is recognised in the profit and loss account.

(c) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(d) Share-based payment transactions

The Company provides share option schemes for Directors and for other Group employees.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense to the profit and loss account. The amount expensed to the profit and loss account over the vesting period is determined by reference to the fair value of the options, 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 Company revises its estimates of the number of options awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit and loss account, with a corresponding adjustment to equity shareholders' funds. No adjustment is made for failure to achieve market vesting conditions.

Disclosures in respect of share-based payments are made in note 24 of the Group Consolidated Financial Statements.

(e) Investments

Fixed asset investments are held at cost less any provision for impairment.

2 Profit for the year

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 2012 of £113,000 (2011: £134,000).

3 Directors and employees

Staff costs, including Directors, were as follows:	**2012 £'000**	2011 £'000
Wages and salaries	**536**	499
Employer's social security costs and similar taxes	**67**	57
Defined contribution pension cost	**68**	64
Share based payment expense - equity settled	**11**	3
	682	623

The average monthly number of employees during the year was as follows:	**Number**	Number
	9	9

The Directors' emoluments for the period are disclosed in the Directors' Remuneration Report on page 15 of this document.

4 Tangible assets

	Freehold land and buildings	Motor vehicles	Total
Cost	£'000	£'000	£'000
At beginning of year	3,454	83	3,537
Additions	-	31	31
Disposals	-	(53)	(53)
At end of year	3,454	61	3,515
Depreciation			
At beginning of year	978	45	1,023
Charge for the year	64	13	77
Disposals	-	(25)	(25)
At end of year	1,042	33	1,075
Net book value at 30 September 2012	**2,412**	**28**	**2,440**
At 30 September 2011	2,476	38	2,514

Notes to Parent Company Financial Statements

at 30 September 2012

5 Fixed asset investments

Investments comprise direct shareholdings of the ordinary share capital in the following principal subsidiaries, all of which are included in the Consolidated Financial Statements:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of voting rights held at 30 September 2011 & 2012
Titon Hardware Limited	Design, manufacture and marketing of window fittings and ventilators	England	100%
Titon Inc.	Distribution of Group products	USA	100%
Titon Korea Co. Ltd	Manufacture of window ventilators	South Korea	51%

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

	2012 £'000	2011 £'000
At the beginning and end of the year	**550**	550

The following entities meet the definition of an associate company and have been equity accounted in the consolidated financial statements:

Name of associate	Principal activity	Country of incorporation	Proportion of voting rights held at 30 September 2011 & 2012
Browntech Sales Co. Ltd	Marketing of window ventilators	South Korea	49%

	2012 £'000	2011 £'000
At the beginning and end of the year	**225**	225

6 Debtors

	2012 £'000	2011 £'000
Other debtors	**7**	13
Deferred tax (note 8)	**9**	5
Amounts owed by subsidiaries	**3,823**	2,719
Amounts owed by associated undertakings (note 11)	**112**	109
	3,951	2,846

Amounts owed by subsidiaries are repayable on demand.

7 Creditors: amounts falling due within one year

	2012 £'000	2010 £'000
Accruals and deferred income	**93**	96
	93	96

8 Deferred tax

Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 23% (2011: 27%). The movement on the deferred tax account is as shown below:

	Accelerated capital allowances £'000
At 1 October 2011	5
Credit to the income statement	4
At 30 September 2012	**9**

9 Share capital

The movement during the year on the Company's issued and fully paid ordinary shares of 10p each was as follows:

	2012 Number	2012 £'000	2011 Number	2011 £'000
At the beginning and end of the year	**10,555,650**	**1,056**	10,555,650	1,056

Notes to Parent Company Financial Statements

at 30 September 2012

10 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Share premium reserve	Capital redemption reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
At 30 September 2011	1,056	865	56	6,653	8,630
Profit for the year	-	-	-	113	113
Share-based payment expense	-	-	-	11	11
Dividends paid	-	-	-	(211)	(211)
At 30 September 2012	**1,056**	**865**	**56**	**6,566**	**8,543**

Included within retained earnings is £111,000 of goodwill (2011: £111,000) arising on business combinations in prior years, and prior to the implementation of FRS 10.

11 Related party loan

The Company provided Browntech Sales Co. Ltd with a £100,000 unsecured loan in September 2008 which was repayable with interest at 3% p.a. within 3 years. The period of the loan has been extended with repayment due in October 2013. The gross amount receivable at 30 September 2012 was £112,000 (2011: £109,000)

The Company has taken advantage of the exemption conferred by FRS8 not to disclose transactions with wholly-owned members of the Group.

Five Year Summary

Summarised consolidated results

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Results					
Revenue	**14,548**	15,995	15,609	14,053	16,375
Gross Profit	**2,880**	3,619	4,171	3,060	3,572
Operating (loss) / profit	**(971)**	5	668	(219)	(148)
Finance income	**26**	36	29	37	101
Share of losses from associate	**(39)**	(7)	(91)	(28)	(12)
(Loss) / profit before tax	**(984)**	34	606	(210)	(59)
Income tax credit / (expense)	**247**	155	(199)	8	(205)
(Loss) / profit after tax	**(737)**	189	407	(202)	(264)
Dividends	**211**	237	211	211	301
Basic (loss) / earnings per share	**(6.83p)**	1.62p	3.85p	(1.91p)	(2.50p)
Assets Employed					
Property, plant & equipment	**3,484**	3,682	3,744	3,972	4,395
Net funds	**1,813**	2,847	3,110	3,096	2,546
Net current assets	**5,101**	6,156	6,304	5,811	5,827
Financed by					
Shareholders' funds : all equity	**9,066**	9,981	10,013	9,806	10,230

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 Titon Factory and Showroom premises at Falconer Road, Haverhill, Suffolk, CB9 7XU on 19 February 2013 at 11.00 a.m. for the following purposes:

Ordinary Business

To resolve as Ordinary Resolutions:

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 2012.

2. To declare a final dividend of 0.5p per ordinary share payable to shareholders on the Company's register of members at close of business on 25 January 2013 payable on 22 February 2013.

3. To re-elect Mr Keith Archibald Ritchie, who retires from the Board in accordance with Article 104, as a Director of the Company.

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

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

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 6 and 7 will be proposed as an Ordinary Resolution and Resolutions 8 and 9 will be proposed as Special Resolutions.

6. 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 £250,000 (representing approximately 23.7% of the nominal value of the ordinary shares in issue on 13 December 2012 for a period expiring (unless previously revoked, varied or renewed) on 18 May 2014 or, if sooner, the end of the next 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.

7. That the Directors' Remuneration Report set out on pages 13 to 16 of the Annual Report and Accounts for the year ended 30 September 2012, be approved.

8. That subject to the passing of Resolution 6 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 7 as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall expire on 18 May 2014 or, if sooner, the end of the next Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

8.1 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

8.2 otherwise than pursuant to paragraph 8.1 up to an aggregate nominal amount of £50,000 (representing approximately 4.7% of the nominal value of the ordinary shares in issue on 13 December 2012);

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(2)(b) of the Companies Act 2006 as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 6" were omitted.

9. 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:

9.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,055,565 (representing approximately 10% of the nominal value of the ordinary shares in issue on 13 December 2012;

9.2 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 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);

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

9.4 this authority (unless previously revoked, varied or renewed) shall expire on 18 May 2014 or, if sooner, the end of the next 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

13 December 2012

Registered Office
International House
Peartree Road
Stanway
Colchester
Essex CO3 0JL

Notice of Annual General Meeting

Notes:

Rights to appoint a proxy

1. 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 this form.

2. A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. If you do not receive a proxy form and believe that you should have one, please contact Capita Registrars Ltd on 0871 664 0300 (calls cost 10p per minute. Lines are open 8.30 a.m. - 5.30 p.m. Monday to Friday).

Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at Capita Registrars Ltd at 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00 a.m. 17 February 2013. 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.

4. The return of a completed proxy form will not preclude a member from attending the Annual General Meeting and voting in person if he or she wishes to do so.

Nominated persons

5. 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.

6. 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.

Record date

7. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.00 p.m. 17 February 2013, (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the Meeting.

Corporate representatives

8. 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

9. As at 13 December 2012 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 10,555,650 ordinary shares. Each ordinary share carries the right to one vote on a poll at a general meeting of the Company and, therefore, the total voting rights in the Company as at that date are 10,555,650. As at 13 December 2012 the Company held no ordinary shares as treasury shares.

Publication on website

10. 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.

11. 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.

12. 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

13. There 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 Manufacturing Division premises at Falconer Road, Haverhill, Suffolk, CB9 7XU, for at least 15 minutes prior to and during the Annual General Meeting copies of the service contract of each Executive Director and the letter of appointment of each Non-executive Director.

Communications

14. 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 our shareholders' helpline on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8:30am - 5.30pm Monday to Friday; or
    - write to Capita Registrars Ltd, Shareholder Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

15. 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
N C Howlett
C S Jarvis

Non-executive

J N Anderson (Deputy Chairman)
P W E Fitt
P E O'Sullivan

SECRETARY AND REGISTERED OFFICE

D A Ruffell
International House
Peartree Road
Stanway
Colchester
Essex
CO3 0JL

COMPANY REGISTRATION NUMBER

1604952 (Registered in England & Wales)

WEBSITE

www.titonholdings.com

AUDITORS

BDO LLP
Lockton House
Clarendon Road
Cambridge
CB2 8FH

SOLICITORS

Boodle Hatfield LLP
80 New Bond Street
London
W1S 1DA

REGISTRARS AND TRANSFER OFFICE

Capita Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

BANKERS

Barclays Bank Plc
Witham Business Centre
Witham, Essex
CM8 2AT

TITON HOLDINGS PLC
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