Titon Holdings Plc

2017 Annual Report and Financial Statements

Annual Report and Financial Statements

for the year ended 30 September 2017

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Chairman's Statement

It was another record year for Titon with revenue of £28 million and a 17% increase in profit before tax to £2.5 million. The dividend for the year was also increased by 20% for the second year in a row.

Profit and loss

In the year ended 30 September 2017, Titon's net revenue (which excludes inter-segment activity) rose 18% to £28.1 million (2016: £23.7 million). On a constant currency basis, however, the increase is 13%.

The gross margin dipped from 29.7% to 25.9% due to lower margins in South Korea and a closure debit while EBITDA was 6% higher at £2.46 million (2016: £2.33 million). Earnings before interest and tax (EBIT) or operating profit rose 4.4% to £1.85 million (2016: £1.77 million) with the operating margin slightly lower at 6.6% (2016: 7.5%) which was also impacted by the same closure costs which amounted to £370,000 and relate to a commercial ducting fabrication venture (which is explained below).

Net interest contributed £10,000 (2016: £8,000) while the share of profits from the Group's associate rose 78% to £633,000 (2016: £356,000) resulting in profit before tax of £2.49 million, which was an increase of 17% (2016: £2.14 million) or +11% to £2.36 million on constant currency basis.

Earnings per share for the year increased 9% to 16.6 pence (2016: 15.2 pence). Taxation was higher at 11% (2016: 9%) due to a higher deferred tax charge and the non-controlling interests' deduction increased from £317,000 to £420,000 which reflects the higher contribution from Titon Korea.

The Directors are proposing a final dividend of 2.7 pence per share (2016: 2.25 pence). When added to the interim dividend of 1.5 pence, paid on 23 June 2017 (2016: 1.25 pence), this would make a total for the year of 4.2 pence (2016: 3.5 pence) i.e. a 20% rise. If approved by shareholders at the forthcoming Annual General Meeting on 21 February 2018, the dividend is payable on 27 February 2018 to shareholders on the register at 19 January 2018. The ex-dividend date is 18 January 2018.

Statements of financial position and cash flows

Net assets including non-controlling interests rose £1.4 million to £16.2 million with net cash at £3.27 million (2016: £2.44 million) which is equivalent to 20.2% of net assets (2016: 16.5%). A lower working capital requirement during the year has resulted in a significant improvement in the cash generated from operations this year when compared to last year from £848,000 to £2.24 million. At the same time, lower capital expenditure in the year of £520,000 (2016: £721,000) has also helped cash generation. Whilst some of this improvement has been offset by higher tax and dividend payments, the subsequent cash inflow for the year was £831,000 (2016: outflow of £432,000).

Net current assets were £9.9 million (2016: £9.0 million) with a Quick Ratio[1] of 2.13 (2016: 1.95).

ROCE[2] was 15.1% (2016: 15.1%) with Capital Turn at 2.3 (2016: 2.0).

Segment analysis

Revenue derived from UK-based businesses saw an increase of 12% in fiscal 2017. This included the Ventilation Systems business for mechanical ventilation products which generated a 12% rise in revenue, with exports doing particularly well. The latter reflects a continued targeting of and investment in new geographical markets. Other sub-sector UK sales were up marginally on 2016 across a wide and widening range of mechanical products. However, sales did slow down as the year progressed as a result of lower business demand outside London and the South East.

Titon continues to invest in research and development which, in turn, yields a continuing number of new products for both the Ventilation Systems and Hardware businesses; and this will also be true in calendar 2018. Titon has continued to promote the benefits of good indoor air quality in the UK through one of our trade associations, BEAMA (British Electrotechnical and Allied Manufacturers' Association);

Segment analysis (continued)

and the aim here is to promote the use of ventilation products in the home to improve air quality. Given the increasing number of reports about poor levels of both outdoor and indoor air quality in the UK, we firmly believe that this is an area of our business which will continue to grow. Similarly, a number of public meetings of the All Party Parliamentary Group for Healthy Homes and Buildings were convened during the year which we have attended. In turn, a draft green paper has now been published, which sets out a number of recommendations for the Government. It will also ask for further input and comments from all interested parties.

Results for our UK Hardware business also improved on last year including a further increase in sales to the aluminium sector and a rise in door and window products to the Timber/PVCu segment of the market. I am also pleased to report that sales of Titon branded door and window hardware products have increased 33% in fiscal 2017 when compared with 2016.

In the UK, the value of both private and public housebuilding activity increased in Titon's fiscal year by 8% and 13% respectively in real terms according to Office of National Statistics Office (ONS) data. At the same time, repair, maintenance and improvement (RMI) in the private residential sector housing rose by 9% in the year and 4% in the latest quarter. RMI in public residential, however, has declined in both periods.

As noted in the 2017 Interim Statement, we took the decision to withdraw from a new venture fabricating commercial ducting, which simply did not establish an economic niche in its target market place. This exit is now complete and, during the second half of the year, we have disposed of all of the stock, assets and debts from this venture which has resulted in a net loss for the full year of £370,000.

In South Korea, Titon's subsidiary company, Titon Korea (51% owned), manufactures natural window ventilation products and is the national market leader with an estimated market share in this core sub-sector in excess of 75%. In fiscal 2017, it also had a very good year with revenue increasing by 34% to £9.5 million, due to higher private sector demand, and its contribution to Group profit after tax was up by 34% to £821,000.

The Group's associate company, Browntech Sales Co. Limited ('BTS') also operates exclusively in South Korea and it generated a significantly higher contribution in the year i.e. +78% to £633,000 (2016: £356,000), which is the entire Associate contribution to the Group Income Statement. In terms of activity, BTS distributes ventilation products in South Korea and both invests in and develops schemes in the domestic residential real estate market. Three are active at this time, one in Seoul which is currently being marketed and another, in the form of a secured interest-bearing loan, has taken longer than anticipated to realise, but for which repayment is expected to commence in calendar year 2018. The third scheme is the development of a residential property in Seoul for which construction has only very recently commenced with completion expected in calendar 2018. All of these activities are budgeted to generate post tax profits for Titon as the 49% shareholder in BTS.

In combination, at the subsidiary and associate level, South Korea is the largest single contributor to the Group's profit after tax; and in 2017 this number was markedly higher at £1,491,000 (2016: £1,003,000).

Finally, sales in the United States continued to grow. However, the contribution from Titon Inc. was lower in the year at £166,000 (2016: £281,000) as margins dipped due to increased competition locally. The market for natural ventilation products in the US continues to grow year on year. In scale it remains relatively modest at this time and it is geographically focused on the North East and the North West regions.

Chairman's Statement (continued)

Board

As promulgated by way of a London Stock Exchange announcement in September, Nick Howlett has moved from Executive to Non-executive Director and retired from his role as Managing Director of Ventilation Systems. I would like to take this opportunity to thank Nick publicly for his contribution to the Group since 1991 and I am also very pleased that he has agreed to continue working for Titon as a Non-executive director.

Employees

My annual statement would not be complete without offering a heart-felt vote of thanks to the Group's employees. Nor is this lip service, because without our team, Titon would not be able to grow and prosper as it has done over time; and once again in fiscal 2017. The number of people employed in the Group dipped last year from 237 at the end of September 2016 to 229 at the end of September 2017 due to redundancies associated with the decision to close the commercial ducting fabrication business noted above. Whilst we regret this action the strategic decision was not taken lightly and it was made in the best interests of the Group and, ultimately, its continuing work force. At the same time, we have continued to make increases in the wages of our weekly paid employees in line with the National Minimum Wage.

Investors

We have continued to engage the corporate research house Hardman & Co. which regularly writes and distributes investment research on Titon, which we believe has both widened interest in the Group and had a very positive impact in its share price over the past two years. On 3 January next year the UK and European investment research landscape will change dramatically with the implementation of MiFID II (Markets in Financial Instruments Directive) across 17 EU countries including the UK. Essentially, it means that investment banks will be legally bound to charge fund managers for investment research. In turn, this will most likely result in less notes being written on many companies particularly small and middle sized ones such as Titon. Happily, the corporate research sector, including Hardman, is not impacted by MiFID II.

Finally, here, I would like to mention the Group's dividend reinvestment programme (DRIP) which has operated for a number of years. This represents a straight-forward and cost effective way for shareholders to increase their holdings in Titon should they wish to do so.

Outlook

The UK economy continues to grow at a modest rate in both historic and relative terms. However, even the most pessimistic forecasts are at an average 1% or better for GDP growth per annum in 2018 and 2019. Similarly, Experian is forecasting construction output to grow at an average 1.3% per annum over the same three years. These forecasts, too, are made cognisant of the protracted Brexit negotiations and the uncertainty associated with this process. For our part, at Titon we urge the Government to enter into a transitional agreement with the EU as soon as possible so as to ensure trade flows are not disrupted from April 2019.

In the first two months of the new fiscal year, we are satisfied with UK and continental European trading, which is in line with the same period in 2016. October and November last year were exceptionally strong and we are pleased to have a similar performance this year.

In South Korea, the World's 12th largest economy[3] and the Group's largest net profit contributor, it is a dramatically different outlook with robust economic growth continuing; and doing so despite a swirl of domestic and international issues. For example, annualised GDP grew at 3.6% in Q3 (after 2.7% in Q2). At the same time, FocusEconomics is forecasting GDP growth of 2.8% in 2018 (an upward

Outlook (continued)

revision in November of 0.1%) and 2.7% in 2019. Positively, too, President Moon Jae-in, since 9 May, had made a refreshing and positive impact (after his predecessor was fired) and US President Donald Trump recently made a high profile visit to the Country. There is no change in North Korea where Kim Jong-un continues with his bellicosity but in terms of economic reality this has made very little impact. Another first class year is expected for Titon Korea and BTS.

Titon makes innovative and popular products, has a unique international spread, very good people and a consistently strong balance sheet. We will also continue to look for new opportunities within our target product and geographical markets. I look forward to another year of progress and one in line with market expectations.

Keith Ritchie Chairman

On behalf of the Board

KA Ritchie
Chairman

Notes:

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

[2] *ROCE is calculated by dividing EBIT by the sum of shareholders' funds, non-controlling interests and all debt less intangible assets and cash; with Capital Turn calculated by dividing revenue by capital employed*

[3] *International Monetary Fund data at April 2017*

13 December 2017

Strategic Report

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

David Ruffell Chief Executive

Highlights

Strong revenue growth of 18% to £28.1m and Group profit before tax up 17% to £2.49m
EPS up 9% to 16.6 pence
Dividend for the year up 20% to 4.2 pence per share

Overview

Titon Group's activities consist of the following principal businesses, all in design, manufacture, marketing and sales, plus our associate's activity in real estate development:

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

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

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

Chief Executive's Review

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

The Consolidated Income Statement is set out on page 39. A summary of the results along with other selected Key Performance Indicators ("KPIs") is as follows:

	2017 £'000	2016 £'000
Revenue	**28,011**	23,721
Profit before tax	**2,493**	2,136
Taxation	**(269)**	(184)
Profit after tax	**2,224**	1,952
Revenue per employee	**115**	106
Profit after tax per employee	**9.1**	8.7
Net cash and cash equivalents	**3,269**	2,438

The Directors are pleased with the 18% improvement in Revenue and the 17% increase in Group Profit before Tax during the year. A review of the Group's performance during the year is given in the Chairman's Statement. The Group Profit before Tax for the year exceeded 2016 due to a significantly higher contribution from South Korea.

Goals and strategy

The Titon Group's goals are the following:

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

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

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

Grow market share in the UK, Europe, US and South Korea

- Increase sales of our existing products.
- Find new customers for our products.
- Develop new products.
- Improve existing products.

Working environment

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

Product offering

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

Interaction with shareholders

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

Management behaviour

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

Strategic Report

Business model

The Group operates in two distinct business streams:

(i) traditional trickle ventilation and window and door hardware business, in which Titon has operated since its formation in 1972, and now including South Korea. This activity accounted for 78% of Group revenue in 2017 (2016: 76%); and

(ii) mechanical ventilation business, which the Group entered in 2007 and which accounted for 22% of revenue last year (2016: 24%). See Business Segmentation information on page 51.

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

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

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

In South Korea, Titon Korea Co. Ltd, makes almost all of its sales to BTS, which sells products onward to its customers in the new residential construction sector. Titon entered the South Korean market in 2008. As noted elsewhere BTS has entered into a number of property development activities in the last two years and it is anticipated that such activity will be an increasing part of BTS's business in the future.

The Group also has a wholly owned subsidiary based in Indiana in the USA. Sales into this market accounted for 6% of Group Revenues during the year (2016: 7%).

The Group manufactures products in the UK and in South Korea. Production in South Korea is entirely for the South Korean market, whilst products manufactured in the UK are sold domestically and exported. Products manufactured in the UK factory account for 46% (2016: 50%) of overall Group turnover and products manufactured in South Korea account for 34% (2016: 30%). The remaining 20% (2016: 20%) of revenue is obtained by the sale of products bought-in from third party manufacturers. These bought-in products tend to be complementary to and are generally sold alongside our own manufactured lines.

Key Performance Indicators (KPIs)

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

KPI	**Timing**
Group Revenue	Measured against budget and prior year on monthly basis
Group Profit Before Tax	Measured against budget and prior year on monthly basis
Individual legal entities' and business sector performance	Measured against budget and prior year on monthly basis
Sales of core products	Top 25 products reviewed monthly and at Divisional Management levels
Net cash	Reviewed quarterly by Board and monthly by senior management

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

2016/17 performance

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

- sales of trickle vents and window hardware products increased in the year by 12% in the UK and in Europe and the US by 16%. This was due to higher vent sales against the prior financial period helped by increased sales to the US, which saw good sales growth of metal trickle vents. Sales of bought in hardware also increased due mainly to higher sales of products for Aluminium windows and doors in the UK and sales of own range Titon bought in products, which increased by 33%;
- sales of Ventilation System Products in the UK were largely flat in the period against the prior year but sales to continental Europe and the rest of the World were up over 46% as the continued investment in products and marketing for European markets began to generate good sales. In 2016/17 we had sales to customers buying in excess of £50,000 each to 9 customers outside the UK, against 6 in 2015/16;
- management regularly reviews the top 25 customers in the two main divisions and particularly where a customer shows a lower ranking we ensure that an explanation is received from the sales team. In some cases where a construction contract has come to an end there may be no ongoing business with that customer until another contract with our products specified is taken on by that company;
- sales of natural ventilation products through our subsidiary in South Korea went up by 34% as sales into the private sector continued to grow. Titon has a very strong position in South Korea with a market share in its chosen products in excess of 75%;
- we continued to invest in new products during the year and sales of the SF Xtra trickle vent, which was introduced in 2015/16 grew strongly as did the range of acoustic products. Similarly, in the Ventilation System division sales of the H200 Horizontal unit (launched in early 2016) grew strongly, particularly in continental Europe increasing by 93% in 2016/17 against 2015/16. Another new product which performed well was the HRV 1.35 where sales were up 137% year-on-year. Note, too, that several other products performed less well as they began to be superseded by these new products: for example, sales of the HRV 1.25 were down 17% as the HRV 1.35 sold strongly;
- research and development expenditure in the year remained high at £468,000 reflecting the strategy noted above to continually develop new products;
- employee numbers remained largely the same at the end of the period at 229 against 237 at September 2016. The reduction reflected largely the closure of the commercial ducting fabrication activities (see earlier comment). Salaries are reviewed annually and all staff received an increase. Our weekly paid staff also benefited from the increase in the National Minimum Wage in April 2017; and
- the Total Return to Shareholders for the period under review was an increase of 50.9%, which is a combination of share price increase and dividend yield.

2017/18 activities

The Board anticipates that the Group's business will continue on broadly the same approach as it did in 2016/17 and our strategy remains the same. We have set budgets for all parts of our business which reflect agreed growth ambitions and these will be monitored on a monthly basis. Specific initiatives for the current fiscal year include:

- continuing efforts to sell more Titon branded bought-in hardware, particularly cylinders and friction hinges;
- increased sales of acoustic trickle vents particularly in the major conurbations where external noise can be an important issue for house occupiers or where new infrastructure, such as roads, railways or airports is being developed;
- development of additional Mechanical Ventilation with Heat Recovery ("MVHR") products for the UK market, where there are opportunities in both larger residential properties and the self-build sector, where Titon is planning to offer a fully approved Passivhaus unit for the first time. Large scale growth is only likely, however, if the Government drives up energy efficiency standards in new homes through regulation, since UK developers and housebuilders tend not to build to these higher standards on a voluntary basis due to the increased cost of doing so;
- roll-out of new Ventilation Systems products in Europe, specifically the SR 700, a single room heat recovery unit, aimed at European markets. This type of heat recovery unit is very popular in the German speaking countries in Europe and is the first time Titon has offered this type of product. The concept of using MVHR systems is more accepted in many Western European countries and is the reason why the Group is increasing its marketing and selling activities in these markets. There are also growing opportunities to sell MVHR systems in Eastern Europe as these markets become aware of the availability of this technology along with their need to reduce energy consumption;

Strategic Report

2017/18 activities (continued)

- development of new products for the South Korean ventilation market as the requirement for more ventilation in residential buildings increases. However, no new products for this market are likely to be required until fiscal 2018/19.
- control of overheads will continue in the period, targets have been set for an overhead reduction in the UK and this will be a prime focus for the Chief Executive;
- the UK economy is expected to grow at a rate of only around 1.5% in 2018. With UK government finances being very stretched we do not anticipate that public sector repairs, maintenance and improvements will show any growth in 2017/18. However, we do expect that private sector housebuilding will continue to grow, which will benefit both our hardware and mechanical ventilation product sales; and
- in South Korea we expect a much higher rate of growth in the economy than in the UK and this will help the rate of construction of residential real estate and the Titon Korea business will benefit from this.

Employee Gender Breakdown

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

	2017 Male	**2017 Female**	**2017 Total**	2016 Male	2016 Female	2016 Total
Directors	**7**	**-**	**7**	6	-	6
Senior Managers	**10**	**-**	**10**	8	1	9
Other	**135**	**77**	**212**	143	79	222
Total	**152**	**77**	**229**	157	80	237

Corporate and Social Responsibility Report

Business ethics, anti-corruption and compliance

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

As far as it is possible to determine, the Group complies with all human rights, anti-corruption and environmental legislation, regulation and best practice in each of the countries where it conducts business. The following formal policies and codes are in place to promote and monitor this:

- Anti-Corruption Policy – this policy is in place to protect the Group in respect of employees offering payments or inducements to gain favour with customers or potential customers. It expressly forbids any such payments to be made and sets out the conditions where normal customer entertaining is acceptable;
- Code of Ethics for Overseas Suppliers – this code is in place to govern the conditions which overseas suppliers are required to adhere to in respect of wages and working hours, child labour and forced labour, discrimination, disciplinary procedures, Health and Safety and bribery and corruption; and
- Whistleblowing Policy – this policy is in place in order that any employee who has concerns as to the Group being involved in either unlawful or improper activities can raise the issues in confidence and with reassurance that they will be protected from reprisals or victimisation.

Strategic Report

Corporate and Social Responsibility Report (continued)

Health and safety

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

The Health and Safety management system is as follows:

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

Two examples of action that has been taken this year are:

- reduce the number of incidents in the factory due to knives: wherever possible metal craft knives, which have been used for many tasks have been replaced with safety knives. This has led to a 60% reduction in cuts from 2016 to 2017; and
- following the Grenfell fire a comprehensive review of all fire safety processes and documentation has been undertaken to ensure that they are fit for purpose and clear for all users.

The accident statistics for our UK operations are as follows:

- January to December 2016 — 46 reported accidents, 1 RIDDOR reported
- January to December 2017 — 15 reported accidents, 0 RIDDOR reported

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

Environmental matters

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

The Group seeks to reduce its environmental impact in a way that benefits a broad group of stakeholders, including customers, shareholders, employees, and in particular, the local community. The Group has maintained its ISO 14001:2004 Environmental Management System within its UK manufacturing operation throughout the year and places great emphasis on ensuring that it conducts its operations such that:

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

As part of its processes, the Group's environmental performance is reviewed monthly by senior management and a programme of continuous improvement for the benefit of customers, employees and the environment has been adopted. As noted last year we have a total of 140kWp of Photovoltaic panels installed on the roof of our Haverhill factory. The electricity generated has been used in our manufacturing facilities during working hours and will have had a positive impact on the CO_2 figures reported below. As a result of the Colchester office move last year we have significantly reduced our energy usage for the office: for the last 12 months in International House our energy costs were £12,400. For the corresponding period in 894 The Crescent they were £5,800, a reduction of more than 50%.

Strategic Report

Corporate and Social Responsibility Report (continued)

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

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

Source:	**2017** **tCO_2e**	2016 tCO_2e
Combustion of fuel and operation of facilities	**619**	601
Electricity, heat, steam and cooling purchased for own use	**527**	582
Total tonnes of CO_2 equivalent	**1,146**	1,183
CO_2 emissions normalised per £ million of sales of manufactured products	**51**	62

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

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2017.

Community and human rights

We supported a number of national charities throughout the year and have identified a specific local charity each year as well for collections. One initiative which is about to be repeated for the third year is to arrange a collection before Christmas of clothing and foodstuffs for the Colchester Night Shelter, which exists for the benefit of rough sleepers in Colchester. Our colleagues in Haverhill also carry out a number of charity collections during the year.

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

Employee diversity and equal opportunities policy

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

This policy has been issued to all employees within the UK Group and provides a framework for ensuring that no employee is discriminated against. We recognise that equality and diversity is paramount within our employees and provide training to our staff, where necessary, to ensure that they understand the policy and avoid discrimination. During the financial period we conducted a review of wages and salaries to ensure that all of our staff, regardless of diversity have been paid equally. I am pleased to report that the policy has been met for all staff.

Strategic Report

Report on Risk Management

Risks and uncertainties

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

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

Process for managing risk

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

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

Risk Matrix

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

Strategic Report

Report on Risk Management (continued)

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

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

Strategic Report

Report on Risk Management (continued)

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

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

This Strategic Report was approved by the Board on 19 December 2017 and signed on its behalf by:

D A Ruffell
Chief Executive

Directors' Report

The Directors present their report and the Group and Company financial statements for the year ended 30 September 2017.

A detailed commentary on the results for the year and discussion of future developments is given in the Chairman's Statement on pages 2 to 5 and an explanation of the Group's business strategy is included within the Strategic Report on page 7.

The Group's compliance with the UK Corporate Governance Code is set out in the report on pages 30 and 31.

Substantial shareholders

As at 30 September 2017, 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	%
Rights & issues Investment Trust PLC	1,265,000	11.50
MI Discretionary Unit Fund Managers Ltd	800,000	7.30
Mrs A J Clipsham	764,579	6.96

The Company has not been notified of any changes to substantial shareholdings between 30 September 2017 and 19 December 2017.

Share capital

The ordinary share capital at 30 September 2017 consisted of 10,983,750 Titon Holdings Plc shares of 10p each. 75,000 ordinary shares were issued during the year as a result of employees exercising share options. There were no other changes to the Company's ordinary share capital during the year.

Details of the authorised and issued share capital of the Company as at 30 September 2017 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 on their transfer other than:

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

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

Proposed dividends

The Directors recommend the payment of a final ordinary dividend of 2.7 pence (2016: 2.25 pence) per ordinary share. This, when taken with the interim dividend of 1.5 pence (2016: 1.25 pence) per ordinary share paid on 23 June 2017, gives a total dividend of 4.2 pence (2016: 3.5 pence) per ordinary share for the year ended 30 September 2017. Titon operates a Dividend reinvestment programme for shareholders details of which are available from our registrars, Link Asset Services.

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 £468,000 during the year (2016: £539,000). Development expenditure capitalised in 2017 amounted to an additional £177,000 (2016: £134,000) see note 11 of the Financial Statements. One of the main reasons for the reduction in R&D expenditure this year is that fewer products have had to be tested at external test houses than last year.

Financial risk management

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

Employees

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

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

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

Disabled employees

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

The Group considers the training requirements of each disabled person on an individual basis. Where an employee becomes disabled during the course of his or her employment, the Group will consider providing this 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.

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 (see 'Consolidated Statement of Changes in Equity' on page 42). The translation reserve is not considered as capital. The consideration for Treasury Shares held at the end of the year has been debited to Shareholders' Equity. In order to maintain or adjust its working capital at an acceptable level and to meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

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

Environmental issues

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

Directors' responsibilities

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

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

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

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

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

Directors' Report

Directors' responsibilities (continued)

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website (www.titonholdings.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 or the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

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

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

Directors' liability insurance and indemnity

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

Purchase of own shares

The Company has authority from shareholders to purchase up to 10% of its own ordinary shares in the market. This authority was not used during the year nor in the period to 19 December 2017 and the Board intends to seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, companies are permitted to hold purchased shares rather than cancelling them and as at 30 September 2017 and 19 December 2017 the Company held 50,000 such shares in treasury. The Company may use this power again in the future depending on market conditions and the financial position of the Company.

Post balance sheet events

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

Going concern

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

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

The Directors have reviewed the budgets, projected cash flows, principal risks and other relevant information for a period of three years from the balance sheet date. On the basis of this review the Directors have a reasonable expectation that the Group 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 Company's Head Office at 894 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9YQ on 21 February 2018 commencing at 11.00 a.m. A Notice convening the Annual General Meeting of the Company for the year ended 30 September 2017 may be found on page 71 of this document.

Shareholders are being asked to vote on various items of ordinary business, being Resolutions 1 to 10 inclusive, as listed below:

Resolution 1 – to receive and adopt the audited accounts
The Directors recommend that shareholders adopt the reports of the Directors and the Auditors and the audited accounts of the Company for the year ended 30 September 2017.

The Directors' Report was approved by the Board on 19 December 2017 and signed by order of the Board.

Resolution 2 - to declare a final dividend
The Directors recommend a final dividend of 2.7 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 27 February 2018 to shareholders on the register on 19 January 2018.

Resolution 3 - to re-elect Mr John Neil Anderson as a Director
The Chairman confirms that following performance evaluation Mr Anderson continues to be effective and demonstrates commitment in his role.

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

Resolution 5 - to re-elect Mr Nicholas Charles Howlett as a Director
The Chairman confirms that following performance evaluation Mr Howlett continues to be effective and demonstrates commitment in his role.

Resolution 6 - 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 7 and 8 – to approve the Directors' Remuneration Report and Directors' Remuneration Policy
Resolution 7 in the Notice of Annual General Meeting, which will be proposed as an Ordinary Resolution, is to receive and approve the Directors' Remuneration Report as set out on pages 23 to 27. Shareholders have a binding vote to be held at least every three years on the remuneration policy of the Directors. No changes are proposed to the current policy (see pages 28 and 29) so this will be carried forward for approval by shareholders as an Ordinary Resolution (Resolution 8).

Resolution 9 – 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 15 February 2017, will expire at the forthcoming Annual General Meeting. Resolution 7 in the notice of Annual General Meeting will be proposed, as an Ordinary Resolution, to authorise the Directors to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £260,000, representing approximately 24% of the nominal value of the ordinary shares in issue on 19 December 2017 (excluding treasury shares). The Company currently holds 50,000 shares in treasury.

The authority conferred by the resolution will expire on 20 May 2019 or, if sooner, at the 2019 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.

Directors' Report

Annual General Meeting (continued)

Resolution 10 - 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 15 February 2017 will expire at the forthcoming Annual General Meeting. Accordingly, Resolution 10 in the Notice of Annual General Meeting will be proposed, as a Special Resolution, to give the Directors power to allot shares or sell treasury shares without the application of these statutory pre-emption rights: first, in relation to offers of equity securities by way of rights issue, open offer or similar arrangements; and second, in relation to the allotment of equity securities for cash up to a maximum aggregate nominal amount of £50,000 (representing approximately 5% of the nominal value of the ordinary shares in issue on 19 December 2017). The power conferred by this Resolution will expire on 20 May 2019 or, if sooner, at the 2019 Annual General Meeting.

In addition, there is one item of special business, being Resolution 11, as listed below.

Resolution 11 - Company's authority to purchase its own shares
Resolution 11 in the Notice of Annual General Meeting, which will be proposed as a Special Resolution, will authorise the Company to make market purchases of up to 1,090,000 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 19 December 2017. 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 20 May 2019 or, if sooner, at the 2019 Annual General Meeting.

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

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

As at 19 December 2017 there were options outstanding over 360,000 ordinary shares which, if exercised at that date, would have represented 3.3% of the Company's issued ordinary share capital (including treasury shares). If the authority given by Resolution 11 were to be fully used, these would then represent 3.6% of the Company's issued ordinary share capital.

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

The Directors' Report was approved by the Board on 19 December 2017 and signed on its behalf by:

D A Ruffell
Secretary

Directors' Remuneration Report

The Remuneration Committee submits this report in accordance with the requirements of SI 2008/410.
The law requires the Group's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is disclosed in their report on pages 35 to 38.

Remuneration Committee

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

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2017.

The vote on the Directors' Remuneration Report is, as previously, an advisory vote. An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 21 February 2018, to receive and adopt the Directors' Remuneration Report. I can report that at the 2017 AGM there were 3,673,907 votes in favour, 0 votes against and 1,800 votes withheld for the Resolution to receive and adopt the Directors' Remuneration Report.

There has been no change to the Directors' Remuneration Policy during the period and there have been no significant changes in individual Director's levels of remuneration during the year except as a result of the performance related elements, which are directly linked to the Group's financial performance.

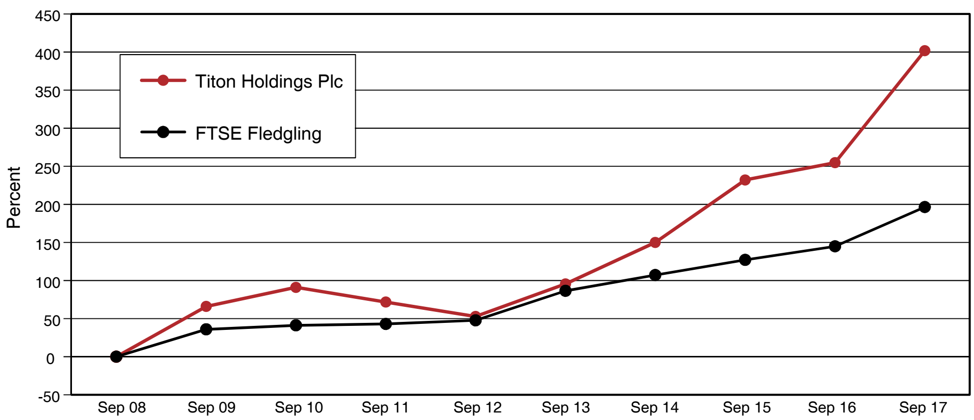
Details of the Directors' Remuneration Policy are shown on pages 28 and 29 and on the Group's website in the Corporate Governance section. The Remuneration Committee is not proposing any change to the Directors' Remuneration Policy this year which was last approved at the 2015 AGM. An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 21 February 2018 to approve the Policy for another three years.

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

Performance graph

The following graph shows the Company's 9 year performance, measured by total shareholder return, compared with the equivalent performance of the FTSE Fledgling Index.

Total Shareholder Return Index



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

Directors' Remuneration Report

Chief Executive's Remuneration

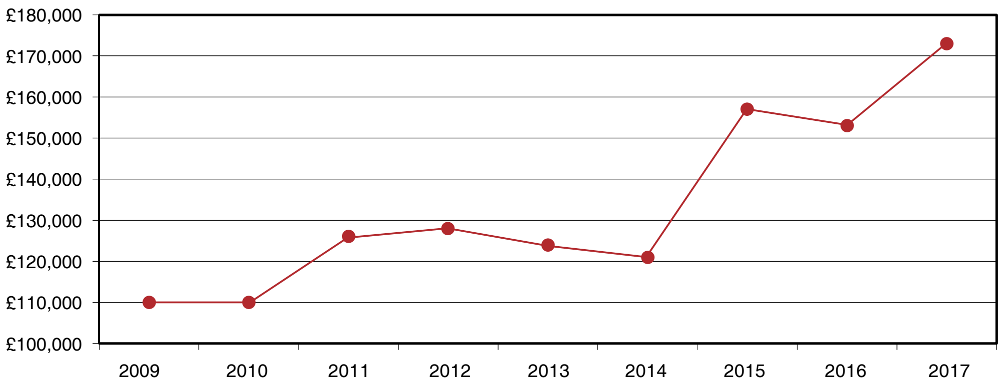
The elements of, and the movement in, the remuneration of the Chief Executive over the past nine years is as follows:

Year ended 30 September	Salary	Short term performance related remuneration	Benefits in kind	Pension benefits	**Total**	Percentage change in year	Percentage of short term performance related remuneration entitlement received in year
	£'000	£'000	£'000	£'000	**£'000**	%	%
2009	88	-	13	9	**110**	0.9	-
2010	88	-	13	9	**110**	0.0	-
2011	92	-	14	20	**126**	14.5	-
2012	92	-	16	20	**128**	1.6	-
2013	92	-	17	15	**124**	(3.1)	-
2014	94	-	12	15	**121**	(2.4)	-
2015	101	28	12	16	**157**	29.8	100
2016	102	21	13	17	**153**	(2.5)	81
2017	111	31	15	16	**173**	13.1	100

Recommended practice is to exclude pension benefits from the above table. However, because the Chief Executive sacrifices part of his salary for a payment into his pension fund, to exclude this element could be misleading. The short term performance related remuneration element was only introduced in 2015. Since then the maximum amount that could be earned in each year was 25% of the Chief Executive's salary.

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

Chief Executive's Remuneration



The Remuneration of the Chief Executive has increased by 13.1% in the year (2016: a decrease of 2.5%). This compares to an average increase for all Group employees of 2.1% (2016: an increase of 2.1%) and this increase was taken into account when setting Directors' base salaries.

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

	2017	2016	Percentage change
	£'000	£'000	%
Directors' remuneration	**807**	638	26.5
Other employee remuneration	**5,798**	5,348	8.4
Dividend payments to shareholders	**410**	324	26.5

Directors' remuneration (audited)

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

	Year ended 30 September	Salary and fees (a)	Benefits in kind	Short term performance related remuneration (b)	Pension benefits	Total
Executive Directors:		£'000	£'000	£'000	£'000	£'000
T N Anderson	**2017**	**87**	**4**	**22**	**6**	**119**
	2016	85	14	16	6	121
T D Gearey - appointed	**2017**	**55**	**6**	**19**	**17**	**97**
2 November 2016	2016	-	-	-	-	-
N C Howlett	**2017**	**59**	**13**	**26**	**48**	**146**
	2016	93	12	19	14	138
K A Ritchie	**2017**	**147**	**16**	**36**	**-**	**199**
	2016	144	15	28	-	187
D A Ruffell	**2017**	**111**	**15**	**31**	**16**	**173**
	2016	102	13	21	17	153
Non-executive Directors:						
J N Anderson	**2017**	**36**	**-**	**-**	**-**	**36**
	2016	36	-	-	-	36
K Sargeant - appointed	**2017**	**36**	**-**	**-**	**-**	**36**
1 September 2016 (c)	2016	3	-	-	-	3
Totals	**2017**	**531**	**54**	**134**	**87**	**807**
	2016	463	54	84	37	638

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

(b) In accordance with the proposals adopted by shareholders, performance related remuneration is due for this period to Executive Directors. The maximum performance was achieved in the period and a bonus of approximately 25% of salary is payable.

(c) Inclusive of £36,000 relating to consultancy fees for 2016 (2016: £3,000).

The remuneration package of each Executive Director includes non-cash benefits comprising the provision of a company car. The aggregate gains made by Directors on the exercise of share options during 2017 were £29,241 (2016: £139,961).

Directors' Remuneration Report

Directors and their interests in shares (audited)

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 2017 Ordinary shares of 10p each	30 September 2016 Ordinary shares of 10p each (or date of appointment if later)
K A Ritchie	Executive Director and Chairman	**977,280**	977,280
D A Ruffell	Chief Executive	**101,000**	101,000
J N Anderson	Non-executive Director and Deputy Chairman	**1,737,802**	1,737,802
T N Anderson	Sales & Marketing Director	**693,750**	721,900
T D Gearey	I.T. Director	**20,500**	500
N C Howlett	Managing Director – Ventilation Systems	**48,750**	48,750
K Sargeant	Non-executive Director	**-**	-

There were no other changes in Directors' beneficial shareholdings between 30 September 2017 and 19 December 2017. Since the year end Mr Howlett has become a Non-executive Director.

Share options (audited)

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 2016 Number	Exercised during the year Number	Lapsed during the year Number	At 30 September 2017 Number
T N Anderson	(b)	58.0p	25,000	-	-	25,000
			25,000	-	-	25,000
T D Gearey -	(a)	48.0p	15,000	(15,000)	-	-
appointed 02/11/16	(b)	58.0p	20,000	(20,000)	-	-
			35,000	(35,000)	-	-
N C Howlett	(b)	58.0p	25,000	-	-	25,000
			25,000	-	-	25,000
K A Ritchie	(b)	58.0p	50,000	-	-	50,000
			50,000	-	-	50,000
D A Ruffell	(a)	48.0p	45,000	-	-	45,000
	(b)	58.0p	50,000	-	-	50,000
			95,000	-	-	95,000

J N Anderson and K Sargeant 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 2017 and 19 December 2017.

Share options are exercisable between the following dates:

(a) 9 June 2014 and 9 June 2021

(b) 15 January 2017 and 15 January 2024

Share options (audited) (continued)

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 2017 the market price of the Company's shares was 134.5p. The range during the year was 83.5p to 174.5p.

Approval

The Directors' Remuneration Report was approved by the Remuneration Committee on 19 December 2017 and signed on its behalf by:

J N Anderson
Remuneration Committee Chairman

Directors' Remuneration Report

Directors' Remuneration Policy

The Group'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.

The individual components of the remuneration package for the Directors are:

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. In determining any inflationary review, the level of such award given to other employees within the Group is taken into account. Basic salaries are reviewed annually on 1 October.

Benefits - Benefits paid to Executive Directors comprise taxable non-cash emoluments and include the provision of company cars. 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.

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 5% of basic salary. Benefits are not pensionable.

Annual Bonus - It is proposed this year that Executive Directors will be rewarded for the achievement of annual financial objectives. Specific performance measures and targets will be reviewed and set annually by the Remuneration Committee. The maximum payment that can be made is up to 50% of base salary but the usual bonus opportunity is up to 25% of salary based on achievement of results ahead of target. The performance target for each financial year will generally be based on the growth of Group profit before tax or the Group profit before tax relative to budget, although the Remuneration Committee may set other performance metrics from time to time as they see fit. The Remuneration Committee wants to retain the flexibility to set bonus targets which reward out performance against targets. It is proposed that the level of payment will depend on the target results, i.e.:

- Minimum performance: Usual remuneration, but no bonus payment.
- Target performance: Usual remuneration and a bonus of 12.5% of base salary.
- Maximum performance: Usual remuneration and a bonus of up to 25% of 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 two share option schemes in which employees have been invited to participate. These 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 based on legal advice received and are shown in the notes to the Financial Statements. Actual earnings per share performance will be determined by the Remuneration Committee.

Directors' service contracts

All Executive Directors have service contracts, entered into on 1 August each year, 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 of the following year.

Non-executive Directors have service contracts that do not contain a notice period and which expire on 30 June each year. The remuneration for the Company's Non-executive Directors is set by the Remuneration Committee and, where relevant, for additional services such as chairing Board Committees. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Company's share option schemes, except for Mr N. Howlett in respect of his past executive duties.

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.

Other policy matters

Any views expressed by shareholders on the remuneration being paid to Directors would be taken into consideration by the Remuneration Committee when reviewing the Directors' Remuneration Policy and in the annual review of Directors' salaries.

It is the Company's policy that Directors' notice periods and termination payments will be based on prevailing best practice guidelines.

The Directors' Remuneration Policy will be put to a vote of shareholders at least once every three years. The next AGM at which the Policy will be subject to a shareholders' vote will be in 2018.

Approval

The Directors' Remuneration Policy was approved by the Remuneration Committee on 19th December 2017 and approved on its behalf by:

JN Anderson
Remuneration Committee Chairman

Corporate Governance Report

Chairman's Introductory Statement

I am pleased to present the Corporate Governance Report for the last financial year. There have not been any major changes to the UK Corporate Governance Code to report to shareholders during the financial period, I am pleased to say. There have been some revisions to the Code to reflect the EU Audit Regulation and Directive, which now requires audit committees to have "competence relevant to the sector in which the company operates". I can confirm that the Titon Audit Committee has this sector competence.

As I have noted in the past we take our corporate governance responsibilities very seriously. I can report to shareholders that we have applied the main principles of the Code throughout the financial period. I am also pleased to report that the number of exceptions to our compliance with the 2016 Code have reduced due to the appointment of Mr K Sargeant to the Board.

KA Ritchie
Chairman

Compliance with UK Corporate Governance Code

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

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

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

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

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

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

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

- the Board has not set out a division of responsibilities between the Chairman and the CEO in accordance with paragraph A.2.1 of the Code. Both the Chairman and CEO are executive officers. The division of responsibilities is clearly understood but is not written down. For a company of this size this is deemed to be acceptable;
- at the year-end the Company had five Executive Directors and two Non-executive Directors. Mr K. Sargeant is deemed to be independent for the purposes of the Code. He has no other relationships with or prior service for the Company or its shareholders However, Mr JN Anderson is not deemed to be independent under the provisions of paragraph B.1.1 of the Code as he is a significant shareholder and a previous chairman of the Company and therefore the Company does not comply with paragraph B.1.2 of the Code in respect of the Board comprising at least two independent Non-executive Directors. The Directors consider that failure to comply with the Code in this respect poses no significant additional risk for shareholders and has no plans to comply with these provisions in the short term;

- the Company's Audit Committee currently comprises the 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 Directors consider that failure to comply with the Code in this respect poses no significant additional risk for shareholders and has no plans to comply with the provision in the short term. As noted above the Audit Committee has competence relevant to the sector in which the Company operates;
- the Company's Remuneration Committee did not consist exclusively of independent Non-executive Directors throughout the financial period and therefore did not comply with paragraph D.2.1. The Directors consider that failure to comply with the Code in this respect posed no significant additional risk for shareholders; and
- the Company's Nomination Committee did not comprise a majority of independent Non-executive Directors throughout the financial period and therefore did not comply with paragraph B.2.1. The Directors do not consider that failure to comply with the Code in this respect posed any significant additional risk for shareholders.

Composition and operation of the Board of Directors

As at 30 September 2017 the Board consisted of the Executive Chairman, the Chief Executive, three other Executive Directors and two Non-executive Directors. Since the year end Mr Howlett has moved from being an Executive Director to being a Non-executive Director.

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

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

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

	Main Board	**Remuneration Committee**	**Audit Committee**	**Nominations Committee**
Total meetings held	**6**	**3**	**2**	**0**
K A Ritchie	6	-	2	-
D A Ruffell	6	-	2	-
T N Anderson	4	-	-	-
T D Gearey*	4	-	-	-
N C Howlett	6	-	-	-
K Sargeant	6	3	-	0
J N Anderson	4	3	-	0

*TD Gearey joined the Board on 2 November 2016.

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

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

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

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

Corporate Governance Report

The Directors who retire by rotation are Mr John Anderson, Mr Kevin Sargeant and Mr Nicholas Howlett. All three Directors, being eligible, offer themselves for re-election:

- John Anderson founded the Company in 1972 and was its Chairman until 2012 when he became a Non-executive Director. He holds the Chair of the Remuneration Committee and the Nominations Committee. He has a service contract which expires on 30 June 2018;
- Kevin Sargeant joined the Board on 1 September 2016. He worked at Vent-Axia, a subsidiary of Smith Industries PLC, from 1990 until 2002 when Volution Holdings PLC (comprising Vent-Axia) was created. Mr Sargeant led the buyout of Volution Holdings in the same year and was CEO of the newly named Volution Group until its sale to Towerbrook Private Equity and the management in 2012. Since then, he has held a number of senior strategic development roles with major companies in the ventilation sector and was Non-executive Chairman of Nuaire Ltd from November 2013 until its sale to Polypipe PLC in August 2015. Mr Sargeant qualified as a member of the Chartered Institute of Management Accountants in 1980. He has a service contract which expires on 30 June 2018, and
- Nicholas Howlett joined Titon in 1991 and has held a number of positions within the Group since then. He was appointed to the Board in 2002 and became a Non-executive Director with effect from 1st October 2017. He has a service contract which expires on 30 June 2018.

A statement of Directors' interests and copies of their service contracts are available for inspection during usual business hours at the registered office of the Company, on any weekday (excluding public holidays), and will be available at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. All Executive Directors are subject to annual appraisals of their performance and membership of relevant board committees, as appropriate, during the financial year.

The Remuneration Committee

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

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

Communications with shareholders

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

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

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

Nominations Committee

The Nominations Committee comprises the Deputy Chairman and Mr Sargeant. It is responsible for proposing candidates as Directors of Titon Holdings Plc for endorsement by the Board. The selection of suitable candidates will be based on the suitability of the person for the position regardless of age, ethnicity or gender. Candidates may be either internal or external and executive search consultants may be used in the process. Mr T Gearey was appointed to the Board in November 2016 following a recommendation by the Nominations Committee that he be appointed. The Nominations Committee has not met in the financial period under review.

The Corporate Governance Report was approved by the Board on 19 December 2017 and signed on its behalf by:

KA Ritchie
Chairman

Audit Committee Report

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

Composition of the Audit Committee

The Audit Committee is appointed by the Board for a period of three years and comprises Mr K A Ritchie ACA and Mr D A Ruffell ACMA both of whom have financial reporting experience.

Role of the Audit Committee

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

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

Review of financial statements and risks identified

Financial statements issued by the Company need to be fair, balanced and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Audit Committee has advised the Board that, in its opinion, the Annual Report and accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

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

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

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

A significant risk considered by the Committee is the Group's investment in its South Korean business and in particular the accuracy of accounting information. The Committee considers that regular trips to South Korea by senior management combined with the detailed monthly reporting that is in place are sufficient to manage and monitor this risk.

Internal audit

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

Internal control

The respective responsibilities of the Directors in connection with the financial statements are set out on pages 19 and 20, and those of the Auditors are detailed in the Independent Auditors' Report on pages 35 to 38.

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

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

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

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

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

External audit process

The Audit Committee meets at least twice a year with the Auditor, who provides a planning report in advance of the annual audit and a report on the annual audit. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. In 2017 the FRC's Audit Quality Team ("AQRT") reviewed the 2016 audit carried out by BDO. The AQRT findings identified two areas of the audit of Titon Hardware Limited that required limited improvements relating to stock valuation. The Audit Committee has met to discuss the AQRT's findings and have agreed additional audit work which will be carried out and additional management review of the stock valuation.

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

Auditor assessment and independence

The Group's external auditor is BDO LLP, who have been the Group's auditor since 2006. As noted in last year's Annual Report a selection process was carried out by the Audit Committee for the appointment of the external auditor and the decision was taken to reappoint BDO, which was approved by shareholders at the 2017 AGM. BDO's tenure as auditor will have to end in 2026 as they will then have completed the maximum 20 year term, subject to their reappointment as Group auditor until then.

The Audit Committee also reviewed BDO's independence policies and procedures including quality assurance procedures and it was confirmed that those policies and procedures remained fit for purpose. Accordingly, the Audit Committee recommends that BDO should be reappointed as the Group's auditor for the next financial year and a resolution to that effect will be proposed at the 2018 AGM.

The fees for audit services provided by BDO for 2017 were £66,000 (2016: £62,000). The Audit Committee discussed the non-audit services provided by BDO during the year. The cost of non-audit services provided by the Auditor for the financial year ended 30 September 2017 was £1,000 (2016: £nil).

K A Ritchie
Audit Committee Chairman

19 December 2017

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Titon Holdings Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report set out on pages 13 to 17 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 13 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 20 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 20 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Independent Auditor's Report

Inventory: valuation
We identified the valuation of the Group's inventory balance as carrying a heightened risk of material misstatement due to its size in the context of other assets and the use of management judgements in respect of provisions for slow-moving and obsolete inventory. This is disclosed as a critical accounting estimate and judgement within note 2. The main area in which those judgements present themselves is in the level of provision recorded, which is largely the result of the choice and application of the accounting method by which the provision is determined.

As part of our audit of inventory provisioning, we performed detailed testing on post year-end sales and other recent stock movements for a selection of stock lines to confirm that the approach management uses (which is based on an analysis of historic sales volumes and current stock levels) is a reliable indicator for determining the level of impairment that should be recorded against inventory. This enabled us to evaluate the appropriateness of the provision as a whole. Furthermore, we inspected the condition of inventory at our physical inventory observations to ascertain whether additional provisions should be made. We also reviewed sales invoices subsequent to the year end to ensure that inventory was appropriately valued at the lower of cost and net realisable value.

Revenue recognition
In our assessment of audit risk, we determined that the timing of revenue recognition during the period immediately prior to and subsequent to the year-end gave rise to a significant risk of material misstatement. This is part of the revenue recognition accounting policy within note 1.

The testing we performed in this area was to confirm the validity of sales recorded and the point of transfer of the risks and rewards of inventory ownership through identification of the timing of delivery, invoicing and revenue recognition by sampling a number of transactions in the days prior to and subsequent to the year end. Furthermore, we examined the Group's terms of business with its customers to ensure that the accounting policy adopted properly takes account of the point of transfer of risk, reward and beneficial ownership of the goods supplied.

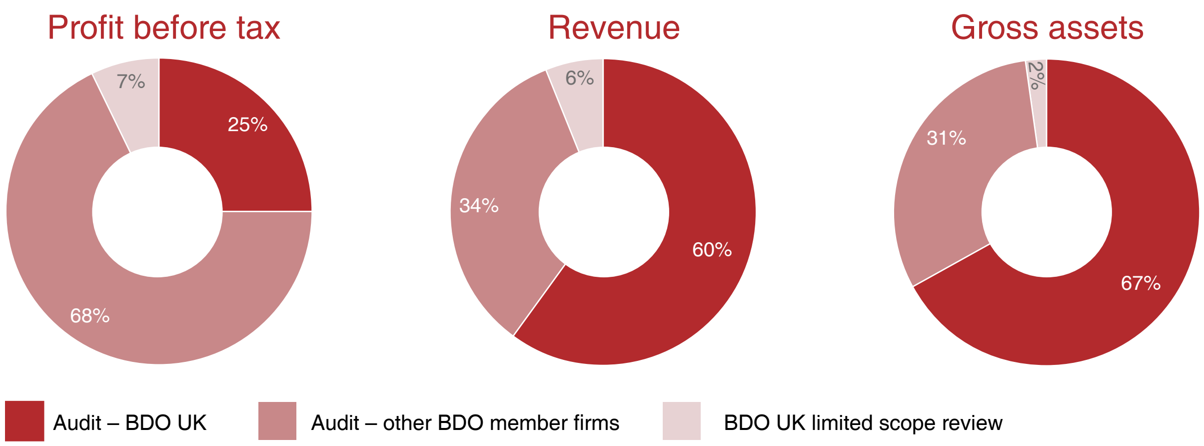
Our application of materiality
We set certain thresholds for materiality to enable us to identify those balances and amounts in the financial statements which may have a greater impact on decision-making by the users of the accounts. A materiality threshold also enables us to assess the significance of identified misstatements both individually and in aggregate.

During the planning of our audit, we set our materiality threshold at 9 (2016: 10) percent of the Group's profit before tax. Our work was conducted using a materiality threshold of £200,000 (2016: £180,000). We applied both a measure of performance materiality and component materiality to our Group audit, to ensure that our audit appropriately guarded against the risk that errors, when aggregated both within a component and across different components, may be material to the financial statements. The component performance materiality thresholds applied in the component audits ranged from £49,000 at the Korean components to £140,000 at Titon Hardware Limited.

We reported all misstatements we had identified which were greater than £4,000 to the Audit Committee as well as qualitative matters, such as disclosure misstatements.

An overview of the scope of our audit
The Group conducts its operations principally within two main geographical regions, being Europe, through its subsidiary Titon Hardware Ltd, and South East Asia, through its subsidiary Titon Korea Co. Ltd. Titon Korea Co. Ltd. sells only to the Group's Associate, Browntech Sales Co. Ltd, which distributes the Group's product to third parties, predominantly in South Korea.

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



Our Group audit strategy involved full scope audits of Titon Hardware Ltd. and, through a component Auditor, the Group's Korean investments (Titon Korea Co. Ltd. and Browntech Sales Co. Ltd). In relation to Titon Korea Co. Ltd. and Browntech Sales Co. Ltd., we were involved in planning the audit, in particular with regard to consideration of component materiality, risk assessment and evaluation of the design of the audit response, and reviewing the results and conclusions drawn by the component auditor. On the basis of this information we reviewed, challenged and discussed certain key matters further, both remotely from the UK as well as through our visit to the Group's Korean operations where, with the Audit Committee, local management and the component Auditor, we participated in the discussion of component audit findings. Those discussions included, but were not limited to, those matters we assessed as being significant risks in the context of the Group audit.

We also undertook analytical procedures in respect of the non-significant component Titon Inc., which is based in the United States of America.

The audit of the consolidation was undertaken, along with the audit of the Company and Titon Hardware Ltd, at the Company's head office near Colchester, Essex and at the Company's production facilities in Haverhill, Suffolk.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- Fair, balanced and understandable, set out on pages 19 and 20 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 33 to 34 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 30 to 32 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Independent Auditor's Report

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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;

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 19 and 20, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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.

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 28 February 2006 to audit the financial statements for the year ending 30 September 2006 and subsequent financial periods. In respect of the year ended 30 September 2017 we were re-appointed by the members of the Company at the Annual General Meeting held on 15 February 2017. The period of total uninterrupted engagement is twelve years, covering the years ending 30 September 2006 to 30 September 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Anthony Perkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
19 December 2017

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 2017

	Note	2017 £'000	2016 £'000
Revenue	3	**28,011**	23,721
Cost of sales		**(20,746)**	(16,673)
Gross profit		**7,265**	7,048
Distribution costs		**(717)**	(756)
Administrative expenses		**(4,249)**	(3,998)
Research and development expenses		**(467)**	(539)
Other income		**18**	17
Operating profit		**1,850**	1,772
Finance income	5	**10**	8
Share of profits from associate	13	**633**	356
Profit before tax	6	**2,493**	2,136
Income tax expense	7	**(269)**	(184)
Profit after income tax		**2,224**	1,952
Attributable to:			
Equity holders of the parent		**1,804**	1,635
Non-controlling interest		**420**	317
Profit for the year		**2,224**	1,952
Earnings per share attributed to equity holders of the parent:			
Basic	9	**16.55p**	15.21p
Diluted	9	**16.24p**	14.95p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2017

	2017 £'000	2016 £'000
Profit for the year	**2,224**	1,952
Other comprehensive income - items which may be reclassified to profit or loss in subsequent periods:		
Exchange difference on retranslation of net assets of overseas operations	**(443)**	917
Total comprehensive income for the year	**1,781**	2,869
Attributable to:		
Equity holders of the parent	**1,509**	2,198
Non-controlling interest	**272**	671
	1,781	2,869

The notes on pages 45 to 69 form part of these financial statements.

Consolidated Statement of Financial Position
at 30 September 2017

	Note	2017 £'000	2016 £'000
Assets			
Property, plant and equipment	10	**3,548**	3,511
Intangible assets	11	**638**	627
Investments in associates	13	**1,966**	1,464
Deferred tax	16	**116**	158
Total non-current assets		**6,268**	5,760
Inventories	14	**4,670**	4,586
Trade and other receivables	15	**6,644**	6,702
Corporation tax		**79**	-
Cash and cash equivalents	19	**3,269**	2,438
Total current assets		**14,662**	13,726
Total Assets		**20,930**	19,486
Liabilities			
Deferred tax	16	**39**	25
Total non-current liabilities		**39**	25
Trade and other payables	17	**4,627**	4,526
Corporation tax		**63**	161
Total current liabilities		**4,690**	4,687
Total Liabilities		**4,729**	4,712
Equity			
Share capital	18	**1,098**	1,091
Share premium reserve		**985**	950
Capital redemption reserve		**56**	56
Treasury shares		**(27)**	(27)
Translation reserve		**216**	511
Retained earnings		**11,887**	10,479
Total Equity attributable to equity holders of the parent		**14,215**	13,060
Non-controlling Interest		**1,986**	1,714
Total Equity		**16,201**	14,774
Total Liabilities and Equity		**20,930**	19,486

The notes on pages 45 to 69 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 19 December 2017 and signed on its behalf by:

KA Ritchie
Chairman

Company Statement of Financial Position

at 30 September 2017

Company No. 01604952

	Note	2017 £'000	2016 £'000
Assets			
Property and motor vehicles	10	**2,114**	2,161
Investments in subsidiaries	12	**554**	554
Investments in associates	13	**225**	225
Total non-current assets		**2,893**	2,940
Trade and other receivables	15	**2,902**	3,690
Cash and cash equivalents	19	**1,957**	1,389
Total current assets		**4,859**	5,079
Total Assets		**7,752**	8,019
Liabilities			
Deferred tax	16	**211**	257
Total non-current assets		**211**	257
Trade and other payables	17	**148**	145
Total current liabilities		**148**	145
Total Liabilities		**359**	402
Equity			
Share capital	18	**1,098**	1,091
Share premium account		**985**	950
Capital redemption reserve		**56**	56
Treasury shares		**(27)**	(27)
Retained earnings		**5,281**	5,547
Total Equity		**7,393**	7,617
Total Liabilities and Equity		**7,752**	8,019

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 2017 of £130,000 (2016: profit £2,000).The notes on pages 45 to 69 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 19 December 2017 and signed on its behalf by:

KA Ritchie
Chairman

Consolidated Statement of Changes in Equity

at 30 September 2017

	Share capital	Share premium reserve	Capital redemption reserve	Translation reserve	Treasury Shares	Retained earnings	**Total**	Non-controlling interest	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 1 October 2015	**1,063**	**891**	**56**	**(52)**	**(27)**	**9,119**	**11,050**	**1,043**	**12,093**
Translation differences on overseas operations	-	-	-	563	-	-	**563**	354	**917**
Profit for the year	-	-	-	-	-	1,635	**1,635**	317	**1,952**
Total Comprehensive Income for the year	-	-	-	563	-	1,635	**2,198**	671	**2,869**
Dividends paid	-	-	-	-	-	(324)	**(324)**	-	**(324)**
Share-based payment expense	-	-	-	-	-	49	**49**	-	**49**
Ordinary shares issued	28	59	-	-	-	-	**87**	-	**87**
At 30 September 2016	**1,091**	**950**	**56**	**511**	**(27)**	**10,479**	**13,060**	**1,714**	**14,774**
Translation differences on overseas operations	-	-	-	(295)	-	-	**(295)**	(148)	**(443)**
Profit for the year	-	-	-	-	-	1,804	**1,804**	420	**2,224**
Total Comprehensive income for the year	-	-	-	(295)	-	1,804	**1,509**	272	**1,781**
Dividends paid	-	-	-	-	-	(410)	**(410)**	-	**(410)**
Share-based payment expense	-	-	-	-	-	14	**14**	-	**14**
Ordinary shares issued	7	35	-	-	-	-	**42**	-	**42**
At 30 September 2017	**1,098**	**985**	**56**	**216**	**(27)**	**11,887**	**14,215**	**1,986**	**16,201**

The notes on pages 45 to 69 form part of these financial statements.

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

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value
Capital redemption	Amounts transferred from share capital on redemption of issued shares
Treasury shares	Weighted average cost of own shares held in Treasury
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

Company Statement of Changes in Equity

at 30 September 2017

	Share capital	Share premium reserve	Capital redemption reserve	Treasury Shares	Retained earnings	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 October 2015	**1,063**	**891**	**56**	**(27)**	**5,820**	**7,803**
Profit for the year	-	-	-	-	2	**2**
Total Comprehensive Income for the year	-	-	-	-	2	**2**
Dividends paid	-	-	-	-	(324)	**(324)**
Share-based payment expense	-	-	-	-	49	**49**
Ordinary shares issued	28	59	-	-	-	**87**
At 30 September 2016	**1,091**	**950**	**56**	**(27)**	**5,547**	**7,617**
Profit for the year	-	-	-	-	130	**130**
Total Comprehensive income for the year	-	-	-	-	130	**130**
Dividends paid	-	-	-	-	(410)	**(410)**
Share-based payment expense	-	-	-	-	14	**14**
Ordinary shares issued	7	35	-	-	-	**42**
At 30 September 2017	**1,098**	**985**	**56**	**(27)**	**5,281**	**7,393**

The notes on pages 45 to 69 form part of these financial statements.

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

Reserve	**Description and purpose**
Share premium	Premium on shares issued in excess of nominal value
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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

Group and Company Statement of Cash Flows

for the year ended 30 September 2017

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Cash generated from operating activities				
Profit / (loss) before tax	**2,493**	2,136	**8**	(2)
Depreciation of property, plant & equipment	**438**	400	**74**	76
Amortisation of intangible assets	**175**	156	**-**	-
Increase in inventories	**(133)**	(370)	**-**	**-**
(Increase) / decrease in receivables	**(161)**	(1,061)	**788**	(90)
Increase / (decrease) in payables & other current liabilities	**57**	(79)	**3**	1
Profit on sale of plant & equipment	**-**	(19)	**(6)**	-
Share based payment – equity settled	**14**	49	**14**	49
Interest received	**(10)**	(8)	**(10)**	(7)
Share of associate's profit	**(633)**	(356)	**-**	-
Cash generated from operations	**2,240**	848	**871**	27
Income taxes paid	**(390)**	(217)	**-**	-
Net cash generated from operating activities	**1,850**	631	**871**	27
Cash flows from investing activities				
Purchase of plant & equipment	**(520)**	(721)	**(27)**	-
Purchase of intangible assets	**(186)**	(163)	**-**	-
Proceeds from sale of plant & equipment	**45**	50	**6**	-
Interest received	**10**	8	**10**	7
Dividends received from subsidiary companies	**-**	-	**76**	-
Net cash (used)/ generated in investing activities	**(651)**	(826)	**65**	7
Cash flows from financing activities				
Exercise of Share Options	**42**	87	**42**	87
Dividends paid to equity shareholders	**(410)**	(324)	**(410)**	(324)
Net cash used in financing activities	**(368)**	(237)	**(368)**	(237)
Net increase / (decrease) in cash & cash equivalents	**831**	(432)	**568**	(203)
Cash & cash equivalents at beginning of the year	**2,438**	2,870	**1,389**	1,592
Cash & cash equivalents at end of the year	**3,269**	2,438	**1,957**	1,389

The notes on pages 45 to 69 form part of these financial statements

Notes to the Consolidated Financial Statements
at 30 September 2017

General information

The consolidated financial statements of the Group for the year ended 30 September 2017 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 Strategic Report on page 6. The consolidated financial statements were authorised for release on 19 December 2017.

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 as adopted by the European Union (IFRSs and IFRIC interpretations) and issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

During the period, the following new standards, amendments and interpretations to existing standards were published. 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:

- Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations.
- Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Equity Method in Separate Financial Statements (Amendments to IAS 27). The amendments introduce an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.
- Annual Improvements to IFRSs (2012–2014 Cycle). These amendments affect the following IFRSs: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Prospective application), IFRS 7 Financial Instruments: Disclosures (Retrospective application), IAS 19 Employee Benefits (Beginning of earliest period presented), IAS 34 Interim Financial Reporting (Retrospective application).
- Disclosure Initiative: Amendments to IAS 1. The IASB has issued amendments to IAS 1 Presentation of Financial Statements as part of an initiative to improve presentation and disclosure in financial reports.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The narrow-scope amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities.

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 has commenced its evaluation of the impact of IFRS 15 and currently expects the impact on the UK business may be limited, but is working with its Korean operations to determine the effect on the timing of revenue recognition in both Titon Korea and the Group's associate, Browntech Sales Co. Ltd. Additionally, with the exception of IFRS 9, and 16 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. The Group is still considering the impact of IFRS 9. In respect of IFRS 16 property and vehicle leases are currently being treated as operating leases and the Group believes that there will be a material impact on the Group's financial statements when they are accounted for differently under IFRS 16.

1 - Summary of significant accounting policies (continued)

	Effective date (periods beginning)
• Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12). The amendments to IAS 12 are intended to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instrument financial assets measured at fair value.	1 January 2017
• Disclosure Initiative: Amendments to IAS 7. The amendments to IAS 7 are intended to improve information provided to users of financial statements about changes in financial liabilities, and financial assets if they meet the same definition, arising from an entity's financing activities. Entities will be required to disclose the cash flow and non-cash changes arising from these financing activities.	1 January 2017
• IFRS 9 Financial Instruments. This IFRS replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety and uses a single approach to determine whether a financial asset is measured at amortised cost or fair value.	1 January 2018
• IFRS 15 Revenue from Contracts with Customers. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. IFRS 15 supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2018
• IFRS 16 Leases. This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates and replaces the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The amendments are now endorsed for use in the EU and effective for periods beginning on or after 1 January 2019.	1 January 2019

(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 2017. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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

Non-controlling interests

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

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

Associates

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

The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses. Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investors' share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of the investment in associates is subject to impairment in the same way as goodwill arising on a business combination (see accounting policy (h)).

Business combinations

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

(c) Foreign currency

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

On consolidation, the results of overseas operations are translated into Sterling, which is the 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 other comprehensive income.

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 90% (2016: 93%) of sales from the Group's UK business are invoiced in Sterling.

(d) Property, plant and equipment

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

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

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

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

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

(e) Intangible assets

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

1 - Summary of significant accounting policies (continued)

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

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

ii Internally generated intangible assets (development costs)
Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

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

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

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

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

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

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

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

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

Raw materials	- 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.

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

Pension costs

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

Accrued holiday pay

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

(j) Provisions

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

(k) Revenue

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, settlement discounts, rebates and warranty costs 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 or in South Korea, upon customer acceptance of goods.

(l) Finance income

Finance income comprises interest receivable on funds invested.

(m) Corporation and deferred taxes

Tax on the profit or loss for the periods presented comprises current and deferred tax.

Current tax

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

Deferred tax

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

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

1 - Summary of significant accounting policies (continued)

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

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

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

(n) Leased assets

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

(o) Dividends

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

(p) Financial assets

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group holds only two classes 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, and if the revised present value of cash flows is not significantly different from the carrying amount, no impairment is recorded.

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

(q) Financial liabilities

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

(r) Treasury shares

Consideration paid or received for the purchase or sale of treasury shares is recognised directly in Equity - see page 42. The cost of treasury shares held is presented as a separate item (“Treasury shares”). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is reflected in share premium.

2 - Critical accounting estimates and judgements

The Group makes estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of inventory

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

Depreciation of property, plant and equipment

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

Useful lives of intangible assets

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

Share-based payments

The charge for share-based payment is calculated in accordance with certain assumptions. 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.

Credit notes and warranty provisions

The amounts provided for credit notes against customer receivables and product warranty provisions also require management judgement given their unknown nature at year-end cut off.

The following area is a critical accounting judgement:

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).

3 - Revenue and segmental information

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

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

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

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

The 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 the page.

3 - Revenue and segmental information (continued)

Operating segment

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

For the year ended 30 September 2017	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	14,283	9,530	1,781	2,735	28,869
Inter-segment revenue	(858)	-	-	-	(858)
Total Revenue	**13,965**	**9,530**	**1,781**	**2,735**	**28,011**
Segment profit	**706**	**1,638**	**166**	**(17)**	**2,493**
Tax expense					(269)
Profit for the year					**2,224**
Depreciation and amortisation	563	49	1	-	613
Total assets	12,916	7,704	310	-	20,930
Total assets include: Investments in associates	1,741	-	-	-	1,741
Additions to non-current assets (other than financial instruments and deferred tax assets)	672	34	-	-	706

The South Korea Segment profit includes the Group's share of the profits from the Associate.

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £9.53m represent 34% of Group Revenue (2016: £7.11m – 30.0%). There are no other concentrations of revenue above 10% during the year (see Note 24 - Related party transactions).

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

For the year ended 30 September 2017	United Kingdom	Europe	North America	Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	16,700	-	1,781	9,530	-	28,011
By country from which derived	13,965	2,565	1,781	9,684	16	28,011
Non-current assets						
By entities' country of domicile	4,295	-	1	1,972	-	6,268

3 - Revenue and segmental information (continued)

Operating segment

For the year ended 30 September 2016	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	13,651	7,110	1,715	1,995	24,471
Inter-segment revenue	(750)	-	-	-	(750)
Total Revenue	**12,901**	**7,110**	**1,715**	**1,995**	**23,721**
Segment profit	**810**	**1,135**	**260**	**(69)**	**2,136**
Tax expense					(184)
Profit for the year					**1,952**
Depreciation and amortisation	508	47	1	-	556
Total assets	12,786	6,098	602	-	19,486
Total assets include: Investments in associates	1,464	-	-	-	1,464
Additions to non-current assets (other than financial instruments and deferred tax assets)	839	43	2	-	884

The South Korea Segment profit includes the Group's share of the profits from the Associate.

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £7.11m represent 30.0% of Group Revenue (2015: £7.16m – 32.2%). There are no other concentrations of revenue above 10% during the year (see Note 24 - Related party transactions).

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

For the year ended 30 September 2016	United Kingdom	Europe	North America	Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	14,896	-	1,715	7,110	-	23,721
By country from which derived	12,848	1,934	1,715	7,155	69	23,721
Non-current assets						
By entities' country of domicile	4,272	-	3	1,485	-	5,760

3 - Revenue and segmental information (continued)

Operating segments

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

	2017	2016
	£'000	£'000
Trickle ventilation and window and door hardware products	**21,734**	17,931
Mechanical ventilation products	**6,277**	5,790
Revenue	**28,011**	23,721

4 - Directors and employees

	Group		**Company**	
	2017	2016	**2017**	2016
Staff costs, including Directors, were as follows:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**6,250**	5,618	**370**	337
Employer's social security costs and similar taxes	**672**	582	**53**	46
Defined contribution pension cost	**354**	314	**6**	5
Share based payment expense – equity settled	**14**	49	**5**	22
	7,290	6,563	**434**	410

	Group		**Company**	
	2017	2016	**2017**	2016
The average monthly number of employees during the year was as follows:	**Number**	Number	**Number**	Number
Manufacturing	**173**	159	**-**	-
Sales, marketing and administration	**71**	65	**5**	4
	244	224	**5**	4

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

5 - Finance income

Group	**2017**	2016
	£'000	£'000
Bank interest receivable on short term deposits	**10**	8

6 - Profit before tax

	2017 £'000	2016 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**438**	400
Amortisation of intangible assets	**175**	156
Research and development expenditure written off	**468**	539
Operating lease rentals - land and buildings	**135**	120
Operating lease rentals - vehicles and plant & equipment	**134**	144
Foreign exchange gains	**(141)**	(189)
Share-based payment expense	**14**	49
Profit on disposal of fixed assets	**-**	(19)
Auditors' remuneration:		
- for the audit of these accounts	**12**	17
- for the audit of those accounts of the Company's subsidiaries	**54**	45
- for the audit of the accounts of the Group's associate	**9**	7
- for non-audit services	**1**	-

7 - Tax (expense) / credit

		2017 £'000	2016 £'000
Current income tax:			
Corporation tax expense		**(249)**	(256)
Adjustment in respect of prior years		**(43)**	3
		(292)	(253)
Deferred tax:			
Origination and reversal of temporary differences	Note 16	**23**	69
Income tax expense		**(269)**	(184)
The charge for the year can be reconciled to the profit per the income statement as follows:			
Profit before tax		**2,493**	2,136
Effect of:			
Expected tax charge based on the standard rate of Corporation tax in the UK of 19.5% (2016: 20.0%)		**(486)**	(427)
Additional deduction for R&D expenditure		**171**	172
Effect of Associate's results reported net of tax		**127**	75
Expenses deductible / (not deductible) for tax purposes		**(11)**	33
Difference in overseas tax rates		**(27)**	(40)
Adjustments in respect of prior periods		**(43)**	3
Income tax expense		**(269)**	(184)

The tax rate in the United Kingdom, being the primary economic environment in which the Group conducts its business, reduced from 20% to 19% on 1 April 2017. The UK government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. In 2016, the UK government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

8 - Dividends

	2017 £'000	2016 £'000
Final 2016 dividend of 2.25 pence (2015: 1.75 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**245**	188
Interim dividend of 1.50 pence (2016: 1.25 pence) per ordinary share paid during the year	**165**	136
	410	324

The Directors are proposing a final dividend of 2.7 pence (2016: 2.25 pence) per share. This will result in a final dividend totalling £296,561 (2016: £245,447), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

9 - Earnings per ordinary share

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

Numerator	2017 £'000	2016 £'000
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	**1,804**	1,635
Denominator	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**10,903,394**	10,752,964
Effect of dilutive potential ordinary shares : Share Options	**207,855**	184,129
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,111,249**	10,937,093
Earnings per share (pence)		
Basic	**16.55p**	15.21p
Diluted	**16.24p**	14.95p

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

10 - Property, plant and equipment

Group	Freehold land and buildings	Improvements to leasehold property	Plant and equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2015	3,455	53	7,369	310	11,187
Additions	-	1	561	159	721
Disposals	-	(53)	(608)	(134)	(795)
At 1 October 2016	3,455	1	7,322	335	11,113
Additions	-	-	417	103	520
Disposals	-	-	(72)	(66)	(138)
At 30 September 2017	**3,455**	**1**	**7,667**	**372**	**11,495**
Depreciation					
At 1 October 2015	1,234	53	6,481	201	7,969
Charge for the year	64	-	275	61	400
Disposals	-	(53)	(607)	(107)	(767)
At 1 October 2016	1,298	-	6,149	155	7,602
Charge for the year	64	-	295	79	438
Disposals	-	-	(27)	(66)	(93)
At 30 September 2017	**1,362**	**-**	**6,417**	**168**	**7,947**
Net book value at 30 September 2017	**2,093**	**1**	**1,250**	**204**	**3,548**
At 30 September 2016	2,157	1	1,173	180	3,511
At 1 October 2015	2,221	-	888	109	3,218

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 2017, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £41,000 (2016: £187,000).

10 - Property, plant and equipment (continued)

Company	Freehold land and buildings	Motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 October 2015	3,455	59	3,514
Additions	-	-	-
Disposals	-	-	-
At 1 October 2016	3,455	59	3,514
Additions	-	27	27
Disposals	-	(31)	(31)
At 30 September 2017	**3,455**	**55**	**3,510**
Depreciation			
At 1 October 2015	1,234	43	1,277
Additions	64	12	76
Disposals	-	-	-
At 1 October 2016	1,298	55	1,353
Charge for Year	64	10	74
Disposals	-	(31)	(31)
At 30 September 2017	**1,362**	**34**	**1,396**
Net book value at 30 September 2017	**2,093**	**21**	**2,114**
At 30 September 2016	2,157	4	2,161
At 1 October 2015	2,221	16	2,237

11 - Intangible assets

Group	Computer software	Development costs (internally generated)	Goodwill	Patents	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2015	685	550	78	247	1,560
Additions	29	134	-	-	163
Disposals	(16)	(48)	-	-	(64)
At 1 October 2016	698	636	78	247	1,659
Additions	8	177	-	1	186
Disposals	-	-	-	-	-
At 30 September 2017	**706**	**813**	**78**	**248**	**1,845**
Amortisation					
At 1 October 2015	287	404	-	246	937
Charge for the year	81	75	-	-	156
Disposals	(16)	(45)	-	-	(61)
At 1 October 2016	352	434	-	246	1,032
Charge for the year	83	92	-	-	175
Disposals	-	-	-	-	-
At 30 September 2017	**435**	**526**	**-**	**246**	**1,207**
Net book value at 30 September 2017	**271**	**287**	**78**	**2**	**638**
At 30 September 2016	346	202	78	1	627
At 1 October 2015	398	146	78	1	623

All assets have an average useful economic life of 3.5 years (2016: 4.3 years) except for Goodwill which has an indefinite useful economic life.

Included within Computer Software is the Group's Enterprise Resource Planning software system which has a carrying value of £243,000 at 30 September 2017 (2016: £294,000) and a remaining amortisation period of 5 years (2016: 6 years).

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

Company

The Company has no intangible assets (2016: £nil)

12 - Investments in subsidiaries

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

Name of subsidiary	**Principal activity**	**Country of incorporation**	**Address**	**Proportion of voting rights held at 30 September 2016 and 2017**
Titon Hardware Ltd	Design, manufacture and marketing of window fittings and ventilators	England	894 The Crescent, Colchester Business Park, Colchester, CO4 9YQ	100%
Titon Automation Ltd	Dormant company	England	As above	100%
Titon Components Ltd	Dormant company	England	As above	100%
Titon Developments Ltd	Dormant company	England	As above	100%
Titon Investments Ltd	Dormant company	England	As above	100%
Titon Inc.	Distribution of Group products	USA	PO Box 241, Granger, Indiana 46530	100%
Titon Korea Co. Ltd	Manufacture of window ventilators	Republic of Korea	257-4 Ra-dong, Munwon-gil, Jori-eup, Paju-si, Gyeonggi-do	51%
Titon HK Holdings Ltd	Dormant company	Hong Kong, China	402 Jardine House, 1 Connaught Place Central	100%

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

Company Investment	**2017 £'000**	2016 £'000
At 1 October	**554**	554
At 30 September	**554**	554

13 - Investments in associates

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

Name of associate	**Principal activity**	**Country of incorporation**	**Address**	**Proportion of voting rights held at 30 September 2016 and 2017**
Browntech Sales Co. Ltd	Sales of window ventilators	Republic of Korea	257-4 Ra-dong, Munwon-gil, Jori-eup, Paju-si, Gyeonggi-do	49%

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

Company Investment	**2017 £'000**	2016 £'000
At 30 September	**225**	225

13 - Investments in associates (continued)

The aggregated amounts relating to BTS are as follows:

As at 30 September	**2017**	2016
	£'000	£'000
Current assets	**10,674**	7,260
Non-current assets	**104**	107
Total Assets	**10,778**	7,367
Current liabilities	**7,167**	4,782
Non-current liabilities	**-**	-
Total Liabilities	**7,167**	4,782
Net Assets	**3,611**	2,585
Group 49% share of Net Assets	**1,769**	1,267
Group investment in Goodwill	**197**	197
Group share of investment	**1,966**	1,464

For the year ended 30 September	**2017**	2016
	£'000	£'000
Revenue	**14,979**	10,985
Profit after tax	**1,329**	766

BTS did not record any other comprehensive income for the years ended 30 September 2017 or 30 September 2016 in its own accounts, although the Consolidated Statement of Comprehensive Income includes £131,000 of other comprehensive expense for 2017 (2016: income £312,000). BTS has been included based on audited financial statements drawn up for the year to 30 September 2017. Transactions between it and the Group are set out in note 24.

The Group's investment in BTS at 30 September 2017 includes £197,000 (2016: £197,000) of goodwill.

14 - Inventories

Group	**2017**	2016
	£'000	£'000
Raw materials and consumables	**1,355**	1,472
Work in progress	**539**	518
Finished goods and goods for resale	**2,776**	2,597
	4,670	4,586

No inventories (2016: £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 £124,000 (2016: net debit of £61,000) to the Consolidated Income in relation to the inventory provisions. The movements in the inventory provisions are included within cost of sales in the Consolidated Income Statement. The value of inventory that has been recognised in cost of sales over the year is £19,996,000 (2016: £16,147,000).

Company

The Company had no inventories at 30 September 2017 (2016: £nil).

15 - Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade receivables	**3,249**	3,499	**-**	-
Related parties receivables (See Note 24)	**2,798**	2,575	**2,891**	3,679
Other receivables	**276**	296	**11**	11
Prepayments and accrued income	**321**	332	**-**	-
Total trade and other receivables	**6,644**	6,702	**2,902**	3,690

Other than the amounts due from related parties there were no significant concentrations of credit risk at either 30 September 2017 or 30 September 2016.

The average credit period taken on sale of goods by the Group's trade debtors is 68 days (2016: 65 days).

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

Movements on the provision for impairment of trade receivables are as follows:	**2017**	2016
	£'000	£'000
At the beginning of the year	**114**	75
Provision for receivables impairment	**27**	87
Receivables written off during the year as uncollectible	**(26)**	(45)
Unused amounts reversed	**(34)**	(4)
At the end of the year	**81**	114

As at 30 September 2017 trade receivables of £1,390,000 (2016: £1,132,000) 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:

	2017	2016
	£'000	£'000
Up to 3 months	**1,382**	1,130
3 up to 6 months	**8**	2
	1,390	1,132

As at 30 September 2017 trade receivables of £81,000 (2016: £114,000) were past due and impaired. These relate to a number of customers. The ageing analysis of these receivables is as follows:

	2017	2016
	£'000	£'000
Up to 3 months	**66**	110
3 up to 6 months	**15**	4
6 up to 12 months	**-**	-
	81	114

16 - Deferred tax

Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19.5% (2016: 20%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2016	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2017**	Asset 2017 UK	Liability 2017 Non-UK
	£'000	£'000	£'000	**£'000**	£'000	£'000
UK Accelerated capital allowances	(230)	6	(59)	**(283)**	(283)	-
UK other temporary and deductible differences	51	(2)	57	**106**	106	-
Non-UK other temporary and deductible differences	(25)	-	(14)	**(39)**	-	(39)
UK available losses	337	(8)	(36)	**293**	293	-
Total deferred tax	**133**	**(4)**	**(52)**	**77**	**116**	**(39)**

	Total deferred tax at 1 October 2015	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2016**	Asset 2016 UK	Liability 2016 Non-UK
	£'000	£'000	£'000	**£'000**	£'000	£'000
UK Accelerated capital allowances	(257)	-	27	**(230)**	(230)	-
UK other temporary and deductible differences	39	-	12	**51**	51	-
Non-UK other temporary and deductible differences	(19)	-	(6)	**(25)**	-	(25)
UK available losses	301	-	36	**337**	337	-
Total deferred tax	**64**	**-**	**69**	**133**	**158**	**(25)**

There are no unrecognised deferred tax assets at 30 September 2016 or 30 September 2017.

16 - Deferred tax (continued)

Company

Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 19.5% (2016: 20%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2016	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2017**	Liability 2017 UK
	£'000	£'000	£'000	**£'000**	£'000
UK Accelerated capital allowances	(300)	7	17	**(276)**	(276)
UK other temporary and deductible differences	30	-	25	**55**	55
UK available losses	13	-	(3)	**10**	10
Total deferred tax	**(257)**	**7**	**39**	**(211)**	**(211)**

	Total deferred tax at 1 October 2015	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2016**	Liability 2016 UK
	£'000	£'000	£'000	**£'000**	£'000
UK Accelerated capital allowances	(310)	-	10	**(300)**	(300)
UK other temporary and deductible differences	49	-	(19)	**30**	30
UK available losses	-	-	13	**13**	13
Total deferred tax	**(261)**	**-**	**4**	**(257)**	**(257)**

17 - Trade and other payables - current

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade payables	**2,686**	2,718	**-**	-
Other payables	**439**	441	**-**	-
Other tax and social security taxes	**504**	508	**-**	-
Accruals	**998**	859	**148**	145
	4,627	4,526	**148**	145

Group trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year-end Group trade creditors represent 45 days (2016: 52 days) average purchases. The contractual maturities of these liabilities are from 30 days up to approximately 100 days.

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

18 - Share capital

Authorised	2017 £'000	2016 £'000
13,600,000 ordinary shares of 10p each	**1,360**	1,360

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

	2017 Number	**2017 £'000**	2016 Number	2016 £'000
At the beginning of the year	**10,908,750**	**1,091**	10,625,600	1,063
Share options exercised during the year	**75,000**	**7**	283,150	28
At the end of the year	**10,983,750**	**1,098**	10,908,750	1,091

Treasury shares held by the Group	**2017 Number**	**2017 £'000**	2016 Number	2016 £'000
At the beginning of the year	**50,000**	**27**	50,000	27
Treasury shares purchased	**-**	**-**	-	-
At the beginning and end of the year	**50,000**	**27**	50,000	27

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

Share options

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

Date granted	Exercise price	Number of shares	Exercisable between		
09.06.11	48.0p	90,000	09.06.14	and	09.06.21
03.01.13	24.5p	5,000	03.01.16	and	03.01.23
15.01.14	58.0p	240,000	15.01.17	and	15.01.24
05.01.15	67.0p	25,000	05.01.18	and	05.01.25
At 30 September 2017		**360,000**			
At 30 September 2016		475,000			

No share options were exercised between 30 September 2017 and 19 December 2017.

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 50 for further details).

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

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

	Group		Company	
	2017	2016	**2017**	2016
Currency	**£'000**	£'000	**£'000**	£'000
Sterling	**2,497**	1,786	**1,957**	1,389
US Dollar	**359**	346	**-**	-
Euro	**136**	237	**-**	-
South Korean Won	**277**	69	**-**	-
	3,269	2,438	**1,957**	1,389

The Sterling financial assets comprises cash held on current account as well as short term deposits with banks and had a weighted average interest rate of 0.55% (2016: 0.9%). The remainder comprise bank current accounts.

Financial liabilities

The Group had no floating rate financial liabilities at 30 September 2017 (2016: £nil). Any liability is offset against bank deposits for the purposes of interest payment calculation. The Board considers the fair value of the Group's financial assets and liabilities to be the same as their book value.

20 - Financial instruments – risk management

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

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note, read in conjunction with the 'Capital Management' section of the Directors' Report on page 18, and the Report on Risk Management on pages 13 to 17 describe the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Audit Committee reviews and reports to the Board on the effectiveness of policies and processes put in place. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out on pages 33 and 34.

Principal financial instruments

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

Credit risk

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

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

20 - Financial instruments – risk management (continued)

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 (see Note 17). To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of 90 days or longer. The Board receives cash flow projections as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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

Foreign exchange risk

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

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

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

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

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

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

Net foreign currency financial assets / (liabilities)	**2017**	2016
	£’000	£’000
Euro	**(8)**	(111)
US Dollar	**286**	90
Total net exposure	**278**	(21)

The effect of a 10% weakening of the Euro and the US Dollar against Sterling at the reporting date of 30 September 2017 on these denominated trade and other receivables, trade and other payables and cash balances carried at that date would, had all other variables held constant, have resulted in an decrease in pre-tax profit for the year and decrease of net assets of £25,000 (2016: increase of £2,000). A 10% strengthening in the exchange rate would, on the same basis, have increased pre-tax profit and increased net assets by £28,000 (2016: decrease of £2,000).

Notes to the Consolidated Financial Statements
at 30 September 2017

21 - Leases

Operating leases

The Group leases its headquarters offices in Colchester Business Park, Colchester, Essex on a tenant repairing lease basis. The Group has the option to terminate the lease in August 2021 or to continue in occupation until August 2026. The Group has tenancy of three factory unit leases in South Korea which expire in February 2018 and will be renewed to February 2020. The Group also leases cars as lessee under non-cancellable operating leases with various terms, escalation clauses and renewal rights.

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

	2017	2016
Operating lease rentals payable within:	**£'000**	£'000
Not later than one year	**61**	23
Later than one year and not later than five years	**448**	649
	509	672

22 - Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds during the year (see note 4). The unpaid contributions outstanding at the year end, included in accruals (note 17) are £23,000 (2016: £27,000).

23 - Share-based payments

Equity settled share option schemes

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

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

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

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

	2017 Number of share options	**2017 Weighted average exercise price (pence)**	2016 Number of share options	2016 Weighted average exercise price (pence)
Outstanding at beginning of year	**475,000**	**54.5p**	785,300	46.7p
Granted during the year	**-**	**-**	-	-
Exercised during the year	**(75,000)**	**56.0p**	(283,150)	30.6p
Lapsed during the year	**(40,000)**	**41.2p**	(27,150)	78.7p
Outstanding at the end of the year	**360,000**	**55.6p**	475,000	54.5p

During the year 450,000 share options, included in the table above, met the conditions of exercise (2016: 440,300).

At the end of the financial year 335,000 share options met the conditions of exercise and have a weighted average exercise price of 54.8p (2016: 120,000 at 43.1p). The options outstanding at 30 September 2017 had a weighted average price of 55.6p (2016: 54.5p) and a weighted average remaining contractual life of 5.7 years (2016: 7.4 years).

23 - Share-based payments (continued)

The charge to the income statement for options granted was £14,000 (2016: £49,000) of which £5,000 was the charge made in respect of key management personnel (2016: £22,000).

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.

In the year to 30 September 2017 no share options were granted (2016: nil).

24 - Related party transactions

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

During the year the Company recharged management service fees to other wholly-owned Group members totalling £351,000 (2016: £331,000). See Note 15 for the related party balances at 30 September 2017.

There have been no transactions between the Company and Browntech Sales Co. Ltd during the year other than any cash flows arising from the existing Equity and financing arrangements.

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

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

	2017	2016
	£'000	£'000
Short term benefits	**761**	674
Post-employment benefits	**88**	37
Share based payments	**5**	22
	854	733

The Non-executive Directors received fees 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:

	Sales of goods		**Amount owed by related party**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Browntech Sales Co. Ltd	**9,530**	7,110	**2,798**	2,575

Trading debts between subsidiaries and Browntech Sales Co. Ltd ("BTS") are created only when the ultimate customer has accepted the successful inclusion of our products into buildings.

We are not aware of any other transactions between subsidiaries and BTS during the year.

Five Year Summary

Summarised consolidated results

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Results					
Revenue	**28,011**	23,721	22,258	19,256	15,740
Gross profit	**7,265**	7,048	5,978	5,330	3,681
Operating profit	**1,850**	1,772	1,562	1,140	230
Finance income	**10**	8	9	5	13
Share of profit from associate	**633**	356	298	188	262
Profit before tax	**2,493**	2,136	1,869	1,333	505
Income tax expense	**(269)**	(184)	(160)	(56)	(29)
Profit after tax	**2,224**	1,952	1,709	1,277	476
Dividends	**410**	324	289	211	158
Basic earnings per share	**16.55p**	15.21p	12.60p	8.52p	2.87p
Assets Employed					
Property, plant & equipment	**3,548**	3,511	3,218	3,169	3,298
Net cash and cash equivalents	**3,269**	2,438	2,870	2,149	2,116
Net current assets	**9,972**	9,039	7,392	6,323	5,304
Financed by					
Shareholders' funds : all equity	**14,215**	13,060	11,050	9,996	9,213

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

Notice of Annual General Meeting

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Notice is hereby given that the Annual General Meeting of Titon Holdings Plc ("the Company") will be held at the Company's Head Office at 894 The Crescent, Colchester Business Park, Colchester, CO4 9YQ on 21 February 2018 at 11.00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and of which Resolutions 10 and 11 will be proposed as Special Resolutions.

Explanatory notes in respect of the resolutions are set out on pages 20 to 21 of the Directors' Report which accompanies this Notice.

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 2017.

2. To declare a final dividend of 2.7p per ordinary share payable to shareholders on the Company's register of members at close of business on 19 January 2018 payable on 27 February 2018.

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

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

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

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

7. That the Directors' Remuneration Report set out on pages 23 to 27 of the Annual Report and Financial Statements for the year ended 30 September 2017, be approved.

8. That the Directors' Remuneration Policy as set out on pages 28 and 29 of the Annual Report and Financial Statements be approved.

9. That in place of all existing authorities, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"), up to a maximum aggregate nominal amount of £260,000 (representing approximately 24% of the nominal value of the ordinary shares in issue on 19 December 2017) for a period expiring (unless previously revoked, varied or renewed) on 20 May 2019 or, if sooner, at the end of the 2019 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.

10. That subject to the passing of Resolution 9 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 9 as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall expire on 20 May 2019 or, if sooner, the end of the 2019 Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

    10.1 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

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10.2 otherwise than pursuant to paragraph 10.1 up to an aggregate nominal amount of £50,000 (representing approximately 4.6% of the nominal value of the ordinary shares in issue on 19 December 2017);

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

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 9" were omitted.

11. 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:

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,090,000 (representing approximately 10% of the nominal value of the ordinary shares in issue on 19 December 2017);

11.2 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);

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

11.4 this authority (unless previously revoked, varied or renewed) shall expire on 20 May 2019 or, if sooner, the end of the 2019 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

25 January 2018

Registered Office:

894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

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 Link Asset Services on 0871 664 0300 Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Link is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

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 Link Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00 a.m. on Monday 19 February 2018. 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 close of business on Monday 19 February 2018, (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 24 January 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 10,983,750 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 10,933,750. As at 24 January 2018 the Company held 50,000 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.

Notice of Annual General Meeting

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

Communications

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

    write to Link Asset Services, Shareholder Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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
T D Gearey

Non-executive
J N Anderson (Deputy Chairman)
K Sargeant
N C Howlett

SECRETARY AND REGISTERED OFFICE
D A Ruffell
894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

COMPANY REGISTRATION NUMBER
1604952 (Registered in England & Wales)

WEBSITE
www.titonholdings.com

AUDITORS
BDO LLP
55 Baker Street
London
W1U 7EU

REGISTRARS AND TRANSFER OFFICE
Link Market Services Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

TITON HOLDINGS PLC
894 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9YQ
Tel: +44 (0)1206 713800
Email: enquiries@titon.co.uk
Web: www.titonholdings.com