

Titon Holdings plc

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SCHEDULE 1 APPENDIX

FURTHER INFORMATION ON TITON HOLDINGS PLC IN CONNECTION WITH ITS PROPOSED ADMISSION TO TRADING ON AIM ("ADMISSION")

This Appendix has been prepared in accordance with the Supplement to Schedule One of the AIM Rules for Companies published by the London Stock Exchange. It includes, *inter alia*, all information that would otherwise have had to be included by Titon Holdings plc (the "Company", "Titon" or the "Issuer") in an Admission Document and which is not found in the current public disclosure record, or in current public disclosures filed by the Directors and senior officers of the Company, or as filed at Companies House (collectively, the "Public Record"). The Public Record can be accessed freely on the Company's website at www.titonholdings.com.

AIM

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document.

Responsibility

The Directors of the Company, whose names appear on the Company's website at <http://www.titonholdings.com/pages/corporate-governance/board-composition.php>, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Nominated Adviser and Broker

Shore Capital and Corporate Limited ("SCC") and Shore Capital Stockbrokers Limited ("SCS") (together, "Shore Capital"), which are authorised and regulated in the United Kingdom by the Financial Conduct Authority, are acting as nominated adviser and broker respectively to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Shore Capital has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibilities of Shore Capital as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange.

Other Advisers

DMH Stallard LLP ("DMH") and BDO LLP ("BDO") are acting as legal adviser and reporting

accountant to the Company respectively and will not be responsible to any person other than the Company. Neither DMH nor BDO have authorised the contents of any part of this document.

1. RISK FACTORS

In addition to the risk factors relating to the Company set out on pages 13 to 17 of the Company's annual report and accounts for the year ended 30 September 2017 (the "2017 Annual Report", available to view at http://www.titonholdings.com/media/download/financial-statements/annual-reports/Titon_Report_Accounts_2017.pdf), the following specific risk factors relating to the ordinary shares of 10 pence each in the capital of the Company which each carry the right to one vote ("Ordinary Shares") should be considered carefully in evaluating whether to make an investment in the Company. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt as to the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not intended to be exhaustive nor are they presented in any order of priority. Additional risks and uncertainties relating to the Company and its subsidiaries (the "Group") and/or the Ordinary Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of its operations, financial condition and prospects.

1.1 Cyber security

The Company and its suppliers and service providers are exposed to the risk of cyber security breaches and related data protection incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber attacks also may be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make services unavailable to intended users). Cyber security incidents affecting, *inter alia*, the Directors, the Company, the Group's employees, suppliers or other service providers have the ability to cause business disruptions and impact business operations; loss of customer data and/or violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; necessary reimbursement or other compensation or remediation costs; the Company to incur legal fees; and/or additional compliance costs.

In October 2017, the Group's UK website was the subject of a cyber security breach and a small quantity of customer information (such as names and email addresses) could have been stolen. The Company did not disclose the breach as no financial or personal data (e.g. bank, credit card or address details) was held on this site. The Company's host service provider has since updated its procedures to ensure that the most recent software is used to protect the site. The Company has also started a project to replace the website which will use modern and more secure software which should be completed by the end of the calendar year. Whilst the Company is not aware of any loss, the Company could be liable for future regulatory penalties or reimbursement costs as a result of the security breach.

While information and cyber security risk management systems, and business continuity plans, have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in any cyber security risk management systems or business continuity plans, including the possibility that certain risks have not been identified or that the systems are not sufficient to prevent or detect future cyber security attacks and breaches.. The Company has taken out a cyber insurance policy to protect against ransom demands and other cyber risks.

1.2 Investment in AIM securities

Investment in companies whose shares are traded on AIM may be perceived to involve a higher degree of risk and could be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. An investment in the Ordinary Shares may be difficult to realise. Existing and prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may realise less than their investment. Further, a quotation on AIM will afford shareholders a lower level of regulatory protection than that afforded to shareholders in a company with its shares listed on the premium segment of the Official List.

1.3 Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some of which are specific to the Company and its operations and some of which may affect quoted companies generally. These factors could include the performance of the Company, changes in the amount of distributions or dividends, changes in the Group's sales or operating expenses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic, political or regulatory conditions.

1.4 Future sales of Ordinary Shares could depress the market for Ordinary Shares

Sales of substantial numbers of Ordinary Shares in the market, or the perception that such sales may occur, could depress the market price of the Ordinary Shares, may make it more difficult for investors to sell their Ordinary Shares at a time and price that they deem appropriate for them and could impair the Company's ability to raise capital through the issue of further equity securities.

1.5 Additional capital requirements and dilution

The Company may require additional capital in the future for expansion, future acquisitions and/or business development. If the Company does not generate sufficient cash through its operations, it may need to raise additional capital from equity or debt sources and there can be no guarantee that further capital raisings will be successful.

In the case of certain increases in the Company's issued share capital, existing shareholders are generally entitled under the Companies Act to pre-emption rights to subscribe for such shares. Those pre-emption rights may be disapplied by a resolution of the Company's shareholders at a shareholders' meeting (including a general authority to disapply pre-emption rights at the Company's annual general meeting). In such event, shareholders at the time of such an issue may suffer dilution in their percentage ownership or the price of the Ordinary Shares may fall. If the Company were to offer equity securities for sale in the future, shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain shareholders. The Company may also in the future issue Ordinary Shares or warrants and/or options to subscribe for Ordinary Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The issue of such Ordinary Shares and the exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

2. DIRECTOR INFORMATION

2.1 Non-executive Director appointment

The Company reviews its board structure on an on-going basis to ensure that its leadership and corporate governance structures are appropriate, in the context of the Group's size, needs and complexity, in order for it to successfully set, manage and

monitor the strategy of the Group and direct the affairs of the Company. Accordingly, it is the Group's intention to appoint an additional independent Non-executive Director to the Board within six months of Admission in order to increase the level of independent oversight and challenge on the Board.

2.2 Director disclosures

The following disclosures are made pursuant to paragraph (g) of Schedule Two to the AIM Rules for Companies:

Name	Current directorships and partnerships	Previous directorships and partnerships held over the past 5 years
<u>Keith</u> Archibald Ritchie, aged 59	Titon Holdings Plc Titon Hardware Ltd Titon Automation Ltd Titon Components Ltd Titon Developments Ltd Titon Investments Ltd Titon Inc. Titon HK Holdings Ltd Titon Korea Co.Ltd Beama Ltd	
<u>John</u> Neil Anderson, aged 75	Titon Holdings Plc Titon Hardware Ltd Raydon Wings Ltd	Titon Automation Ltd Titon Components Ltd Titon Developments Ltd Titon Investments Ltd
<u>David</u> Alan Ruffell, aged 60	Titon Holdings Plc Titon Hardware Ltd Titon Inc. Titon HK Holdings Ltd Titon Korea Co. Ltd Browntech Sales Co. Ltd	
<u>Tyson</u> Neil Anderson, aged 50	Titon Holdings Plc Titon Hardware Ltd	
<u>Nicholas</u> Charles Howlett, aged 57	Titon Holdings Plc Federation of Environmental Trade Associations Ltd	Titon Hardware Ltd
<u>Kevin</u> Sargeant, aged 61	Titon Holdings Plc KS Advisory Ltd	Roof-Maker Ltd Milson BidCo Ltd Breathing Buildings Ltd Nu-Oval Acquisitions 1 Ltd Ventilair Group BV* Comair BV* GLT GmbH* Foxair GmbH* Flexicon Group Ltd*
<u>Tony</u> David Gearey, aged 51	Titon Holdings Plc Titon Hardware Ltd Titon Inc.	

* denotes that the disclosed directorship is as a shadow director

None of the directors have:

- 2.2.1 any unspent convictions in relation to indictable offences;
- 2.2.2 been bankrupt or made individual voluntary arrangements;
- 2.2.3 been a director of a company subject to receivership, compulsory liquidation,

creditors' voluntary liquidations, administrations, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors of any company where such director was a director at the time of or within the twelve months preceding such events;

2.2.4 been a partner of a partnership subject to compulsory liquidation, administration, or partnership voluntary arrangement where such director was a partner at the time of or within the twelve months preceding such events;

2.2.5 been subject to receiverships of any asset of such director or of a partnership of which the director was a partner at the time of or within the twelve months preceding such events; or

2.2.6 been subject to any public criticisms by statutory or regulatory authorities (including recognised professional bodies), nor have any been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3. BOARD PRACTICES

3.1 Service agreements and letters of appointment

Details of the terms of the directors' service agreements and letters of appointment are set out on pages 28 and 29 of the 2017 Annual Report and details of their remuneration are set out in pages 23 to 27 of the 2017 Annual Report.

4. MAJOR SHAREHOLDERS

4.1 Insofar as the Company is aware, a list of those shareholders who, directly or indirectly, are interested in three per cent. or more of the issued ordinary share capital of the Company as at 8 November 2018 is set out below:

Shareholder name	Percentage holding (%)*
J N Anderson (Non-Executive Director) ¹	15.7%
Rights & Issues Investment Trust plc	11.4%
K A Ritchie (Executive Chairman) ²	8.8%
MI Discretionary Unit Fund Managers Ltd	7.2%
Mrs A J Clipsham ³	6.8%
T N Anderson (Executive Director) ⁴	6.3%

¹Includes a holding by J N Anderson's spouse

²Includes a holding by K A Ritchie's spouse

³Mrs A J Clipsham is K A Ritchie's sister-in-law

⁴Held by T N Anderson's spouse

* excluding voting rights attributable to shares held in treasury

4.2 As at the date of this document, no major shareholder has any different voting rights to the other holders of ordinary shares in the capital of the Company.

4.3 Insofar as is known to the Company and save as disclosed in this paragraph 4, as at the date of this document, the Company was not, directly or indirectly, owned or controlled by any persons and there were no arrangements, the operation of which might at a subsequent date result in a change in control of the Company.

5. ARTICLES OF ASSOCIATION

A copy of the Company's articles of association may be accessed at:

6. MATERIAL CONTRACTS

In addition to those contracts which are disclosed in the Public Record, the **Group** has entered into the following material contracts in the two years preceding this document:

6.1 BTS Shareholders' Agreement

On 31 July 2008, the Company entered into a shareholders' agreement with various other shareholders of Browntech Sales Co. Ltd ("BTS"), a company incorporated in South Korea in which the Company has an ownership interest of 49 per cent. BTS's business purpose is to exclusively purchase products from the Company's 51 per cent. owned subsidiary, Titon Korea Co., Ltd, for resale in South Korea. The shareholders' agreement governs the board composition of BTS, board and general meeting conduct and provides for certain pre-emption rights for shareholders.

6.2 Distributorship Agreement

On 22 July 2008, Titon Korea Co. Ltd ("Titon Korea") entered into a distributorship agreement with BTS pursuant to which Titon Korea appointed BTS as its exclusive authorised distributor of its products (which includes but is not limited to window ventilation units, other window related items, and all products presently sold and/or distributed by BTS), and BTS appointed Titon Korea as its sole and exclusive provider and supplier of the products sold and/or distributed by BTS. The agreement was for an initial term of 5 years, and, unless a party is in breach, will renew for successive 5 year terms on the same terms (or as otherwise agreed by the parties).

6.3 Nominated Adviser & Broker Agreement

On 7 November 2018, the Company entered into an agreement with Shore Capital, pursuant to which the Company appointed SCC to act as nominated adviser and SCS as broker to the Company, conditional upon and with effect from, the date of Admission.

6.4 Financial Adviser Agreement

On 23 August 2018, the Company entered into an agreement with SCC, pursuant which the Company appointed SCC to act as its Financial Adviser in connection with the cancellation of its listing on the premium listing segment of the Official List and to trading on the Main Market of the London Stock Exchange and its application for admission to trading on AIM, and conferred on SCC all powers and authorities which may be reasonably necessary in connection with the performance of its duties.

6.5 Relationship Agreement

On 9 November 2018, the Company entered into a relationship agreement with John Anderson, Priscilla Anderson, Tyson Anderson and Ruth Anderson ("Relevant Shareholders") and Shore Capital ("Relationship Agreement"), which seeks to manage the relationship between the Company and the Relevant Shareholders in order to ensure that the Company is capable of carrying on its business independently of them at all times. Pursuant to the terms of the Relationship Agreement, each Relevant Shareholder has agreed to give the following undertakings on their own behalf (and corresponding procurement undertakings in respect of their connected persons) to the Company and SCC for the benefit of the remaining shareholders in the Company:

- 6.5.1 to conduct all transactions and relationships with each member of the Group on arm's length terms and on a normal commercial basis;
- 6.5.2 to abstain from voting on any shareholder or board resolution the effect of which would be contrary to the maintenance of the Company's ability to carry on its business independently;
- 6.5.3 not to create or modify the terms of an existing transaction, arrangement or agreement between a Relevant Shareholder and any member of the Company's group (without consent of the independent directors);
- 6.5.4 not to appoint or remove any directors (or vote on any resolution to do so)

- without the approval of a majority of the independent directors;
- 6.5.5 to treat all unpublished information received from the Company which is of a price sensitive nature with appropriate confidentiality (acknowledging that this may impact on their ability to deal in the shares of the Company); and
- 6.5.6 for a period of 12 months following Admission, not to vote on any resolution to cancel the admission to trading on AIM, or do anything which would render the Company unsuitable for continued admission to trading on AIM.

7. DIVIDEND POLICY

Titon's dividend policy is to pay dividends commensurate with the results of the business, by way of the declaration of interim dividends at the time of the Company's half yearly report, and the recommendation of final dividends at the time the Company's annual report is published. In respect of the year to 30 September 2017, the Company paid dividends totalling 4.2 pence per Ordinary Share (2016: 3.5 pence).

The declaration and payment by the Company of any dividends in the future and the amount thereof will depend on the results of the Group's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time and there can be no assurance that the Company will pay dividends or, if a dividend is paid, the amount that dividend will be.

Titon operates a dividend reinvestment programme for shareholders.

8. CORPORATE GOVERNANCE

8.1 Share Dealing Code

The Directors will comply with, and seek to procure compliance by applicable employees with, the relevant provisions of the AIM Rules for Companies and the Market Abuse Regulation relating to dealings by Directors and applicable employees in the securities of the Company. The Company will maintain its existing Share Dealing Code which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies and will continue to take all reasonable steps to ensure compliance by the Board and all applicable employees with the terms of the Share Dealing Code.

8.2 Corporate Governance

Details of the terms of the Company's corporate governance arrangements are set out on pages 30 to 32 of the 2017 Annual Report and will be available on the Company's website (www.titonholdings.com) from Admission.

9. TAXATION

9.1 Introduction

The following statements are intended only as a general guide current as at 8 November 2018 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current published practice of HMRC (both of which are subject to change, possibly with retroactive effect) and do not constitute tax advice or purport to be a complete analysis of all potential UK tax consequences of holding or disposing of Ordinary Shares. They may not apply to certain categories of shareholder, such as dealers in securities, insurance companies, collective investment schemes, tax exempt organisations, persons connected with the Company, trusts, persons who hold 5 per cent. or more of the Ordinary Shares, or shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment, who may be subject to special rules. Levels and bases of taxation are subject to change.

The following statements apply only to shareholders resident (and, in the case of individuals, domiciled or deemed domiciled) for UK tax purposes in, and only in, the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares as an investment (other than in an individual savings account or pension arrangement, enterprise investment scheme or other tax advantaged scheme)

and who are the absolute beneficial owners of those Ordinary Shares, and any dividends paid on them.

Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom is strongly recommended to consult his professional advisers immediately.

9.2 Stamp Duty and Stamp Duty Reserve Tax

Purchases of the Ordinary Shares once admitted to trading on AIM should be exempt from both stamp duty and stamp duty reserve tax provided that the Ordinary Shares remain admitted to trading on AIM but are not listed on any other recognised stock exchange in the UK or elsewhere.

9.3 Dividends

The United Kingdom taxation implications relevant to the receipt of dividends on the Ordinary Shares are as follows:

Individual shareholders who are resident and domiciled (or deemed domiciled) in the UK

There is no United Kingdom withholding tax on dividends. Individual holders of Ordinary Shares will be taxable on the total dividend received.

For tax year 2018/19, a nil rate of income tax applies to the first £2,000 of dividend income received by an individual shareholder in a tax year (the "Nil Rate Amount"), regardless of what tax rate would otherwise apply to that dividend income. Any dividend income received by an individual shareholder in a tax year in excess of the Nil Rate Amount will be subject to income tax at the following dividend rates for tax year 2018/19: 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

Dividend income that is within the Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, dividend income is treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

Corporate shareholders

A holder of Ordinary Shares which is a company resident for tax purposes in the United Kingdom will have to pay corporation tax in respect of any dividends it receives from another company resident for tax purposes in the United Kingdom, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder.

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate shareholder which is not a "small company" for the purposes of Part 9A of the Corporation Tax Act 2009 will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2018) unless the dividend falls within one of the exempt classes set out in Part 9A. These exemptions include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules. Shareholders within the charge to UK corporation tax are advised to consult their professional advisers to determine the UK corporation tax treatment of

such dividends.

Non-UK resident shareholders

A non-UK resident individual shareholder is not generally subject to UK tax on dividend receipts.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their Ordinary Shares or in respect of other transactions relating to the shares under the tax law of their country of residence.

Shareholders resident for tax purposes outside the UK should consult their own tax advisers as soon as possible concerning their tax liability on dividends received; what relief, credit or entitlement to a refund of any tax credit may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the Ordinary Shares.

9.4 Disposal of shares

A disposal or deemed disposal of Ordinary Shares by a shareholder who is resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains depending upon the shareholder's circumstances and subject to any available exemption or relief.

Individual shareholders tax resident in the UK

For an individual shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. For tax year 2018/19, the rate of capital gains tax on disposal of shares is 10 per cent. for individuals who are subject to income tax at the basic rate and 20 per cent. for individuals who are subject to income tax at the higher or additional rates. An individual shareholder is entitled to realise an annual exempt amount of gains (£11,700 in tax year 2018/19) without being liable to UK capital gains tax. No indexation allowance will be available to reduce any chargeable gain arising.

Corporate shareholders

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal (or deemed disposal) of Ordinary Shares, at a rate of 19 per cent. with effect from 1 April 2018. No indexation allowance will be available to reduce any chargeable gain arising.

Shareholders who are not UK tax resident

A shareholder who is not resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Ordinary Shares have been used, held or acquired for the purposes of such UK permanent establishment. A shareholder who is an individual and who has previously been resident in the United Kingdom may in some cases be subject to UK tax on capital gains in respect of a disposal of Ordinary Shares in the event that they re-establish residence in the United Kingdom.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on any relief or credit which may be claimed in the jurisdiction in which they are resident.

The comments set out above are intended only as a general guide to the current tax position in the United Kingdom at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade. The rates and basis of taxation can change and will be dependent on a shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

Any person who is in any doubt as to his tax position, or who may be subject to tax in any jurisdiction other than the United Kingdom, should consult their professional adviser.

10. Mandatory takeover offers and squeeze-out/sell-out rules

- 10.1 The Company is subject to the UK City Code on Takeovers and Mergers (the “City Code”). Save as provided by the Companies Act and the City Code, there are no rules or provisions which:
- 10.1.1 require a mandatory takeover offer to be made in respect of the Company;
 - 10.1.2 entitle a party making a takeover offer in respect of the Company to squeeze-out shareholders who do not accept the offer; or
 - 10.1.3 entitle a shareholder to sell-out to a party who has made a takeover offer in respect of the Company.
- 10.2 No takeover offers have been made in respect of the Company during the financial years of the Company ended on 30 September 2017 and 30 September 2018 or during the current financial year of the Company.
- 10.3 The City Code applies to the Company for so long as its Ordinary Shares remain admitted to trading on AIM and for a period of 10 years following the cancellation of such admission. Rule 9 of the City Code provides that, except with the consent of the Takeover Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with it are interested) carry 30 per cent. or more of the voting rights of a company; or (b) any person, together with persons acting in concert with it, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with it, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which it is interested, then, in either case, that person, together with the persons acting in concert with it, is normally required to extend offers in cash, at the highest price paid by it (or any persons acting in concert with it) for shares in a company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.
- 10.4 Under the Companies Act, if a takeover offer (as defined in section 974 of the Companies Act 2006) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the takeover offer relates (the “Takeover Offer Shares”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it is able to acquire compulsorily the remaining 10 per cent. In order to do so, it would send a notice to shareholders who had not, at such time, accepted the offer telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for those shareholders in the event that they had not accepted the offer at such time. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.
- 10.5 The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held, or had agreed to acquire, not less than 90 per cent. of the shares to which the offer related, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on

the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

11. LEGAL AND ARBITRATION PROCEEDINGS

Neither the Company nor any member of its Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months preceding the date of this document which may have, or have had in the recent past significant effects on the Company's and/or its Group's financial position or profitability.