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Titon Holdings Plc

Final results for the year to 30 September 2022

Titon Holdings Plc ("Titon", the "Group" or the "Company"), a leading international manufacturer and supplier of ventilation systems, and window and door hardware, announces its audited final results for the year ended 30 September 2022 ("FY22").

Summary Financial Results*

	2022	2021	Change (%)
Net revenue	£22.1m	£23.4m	-5.7%
Underlying** EBITDA	£0.14m	£2.0m	-93%
Underlying** Group (loss) / profit before tax	£(0.6)m	£1.08m	n/a
(Loss) / earnings per share	(3.89)p	9.24p	n/a
Full year dividends per share	2.0p	4.5p	-56%
Net cash	£1.7m	£4.8m	-64%

- Net revenue reduced by 5.7% to £22.1 million (2021: £23.4 million) as the Group managed shortages of raw materials, key components and labour; and reflecting weaker trading conditions in South Korea and operational impacts of the implementation of the Group's new ERP system.
- Gross margin of 26.4% (2021: 31.4%), driven by industry-wide input cost inflation and the natural timing lag in recovery through our implemented price actions with customers and operational efficiencies.
- Underlying EBITDA of £0.14 million (2021: £2.0 million) and underlying Group loss before tax of £0.6 million (2021 profit before tax £1.07 million) reflecting the lower sales in the year and reduced margins.
- Proposed final dividend of 0.5 pence per share (2021: 3.0 pence) in addition to the interim dividend of 1.5p (2021: 1.5 pence).
- Strong balance sheet maintained at the period end with net cash, no debt, net assets of £16.0 million at 30 September 2022 (2021: £16.8m) and net current assets of £7.9 million (2021: £9.3m).

Operational and divisional highlights

- During 2022, we restructured and strengthened the Board and senior leadership team, welcoming a new Chief Executive and two new Non-Executive Directors to improve business performance.
- A new ERP system for the UK and European operations was implemented which will allow greater automation of production and sales processes and better management information for the business in the future. As previously announced the initial implementation led to short-term production and despatch delays, however the system is now functioning as planned.
- Strengthened Supply Chain team to focus on strategic supplier management to mitigate the impacts we have seen from material shortages and input cost increases.
- We continued our focus on product development with several new products expected to be launched in 2023.
- Revenues from UK and Europe overall fell by 3.6% on 2021:
  - In the UK, sales of trickle vents were up 8% on the prior year and up 18% in the period July to September 2022 following the introduction of the revised building regulations and associated standards in the UK in 2022.
  - Revenue from the UK window and door hardware business as a whole was down by 3% as sales into the aluminium sector fell following the conclusion of a distributor relationship with a supplier of bought-in products. Sales of Titon branded bought-in products rose 15% in the year.
  - Mechanical ventilation systems revenues fell by 4% overall. UK sales rose by 9% as customer demand for our products remained strong whilst sales into mainland Europe fell by 34%, as a result of the previously reported component shortages and the operational challenges.
- In the South Korean market, revenues fell by 15% as a result of the previously reported weak housing market and shift in market demand to mechanical ventilation products from natural ventilation in the South Korean market. We are widening our product offering to include mechanical ventilation products in order to adapt to changing market conditions.

Current trading and outlook

- Sales in the first quarter of the current financial year to 30 September 2023 ("FY23") in the UK and Europe has exceeded the comparative quarter in FY22, reflecting the continued strong demand for our products. Sales in South Korea in Q1 FY23 were in line with our expectations.
- The supply chain constraints have eased, and there is a backlog of customer orders that Titon is working hard to manufacture and ship as soon as possible in the coming months.
- We continue to develop strategies that will deliver margin improvements to offset the impacts of increasing material, labour and energy costs. We have implemented, and are continuing to implement, price increases to ensure we achieve maximum price realisation, alongside targeted operational actions.
- We have a strong order book and a clear strategy to increase capacity and ensure we quickly clear the backlog of customer orders and return to our previous high levels of customer service.
- We have a strong leadership team in place who have defined a clear set of business imperatives, which we believe will enable the Group to return to profitability in H2 FY23.
- The Board remains confident in the prospects of the Group as the drive for energy efficiency, combined with the need for better air quality via adequately ventilated buildings, remains a priority.

Chief Executive, Alexandra French, said:

"Since joining Titon in May 2022 I have been impressed by the hard work, commitment, and dedication of all our employees. Despite trading conditions having been challenging for us in 2022 as we suffered from cost increases, operational challenges and component shortages, we are taking actions to mitigate these factors and improve underlying business performance. I am pleased that the component shortages have eased as the year progressed and we are now in a strong position with respect to supply of critical components. I am confident that with the strong leadership team now in place and the clear business imperatives that we have defined, we have a clear route forward for the business that will deliver stability, strong levels of customer service and ultimately a return to profit in the UK and Europe in H2 FY23.

Customers and employees remain at the heart of our business. We thank all of our customers for their loyalty, and we look forward to continuing our strong business relationships. We also thank our employees for their continued hard work and commitment during what has been a difficult year.

The outlook for the global economy in 2023 is difficult to predict with cost pressures and energy shortages impacting on all the major markets in which we operate. Whilst the potential impact on economic activity in both the UK and Europe remains unclear, the 2022 building regulations and associated standards revisions provide a regulatory tailwind to drive long-term growth for both our natural and mechanical ventilation products. We have a strong balance sheet, talented employees and a good range and pipeline of products that give us confidence in our future despite these uncertainties."

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The full text of the Report and Accounts for the year to 30 September 2022 is contained below. This document

can be accessed with the benefit of page referencing on the Company's website:
https://www.titon.com/uk/wp-content/uploads/sites/10/2023/01/Annual-Report-and-Financial-Statements-2022.pdf

** Non IFRS measures included*
***Excludes exceptional items of £0.3m which includes a one-off cost of living bonus paid to all qualifying employees and restructuring costs*

Annual Report and Financial Statements

for the year ended 30 September 2022

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Chair's Statement

This has been an important year for Titon as we celebrated our 50th anniversary. John Anderson founded Titon in September 1972 when Titon Hardware Limited was incorporated. The company was acquired by Titon Holdings Limited after it was incorporated in December 1981, which then became Titon Holdings Plc when the Group was first listed on the Unlisted Securities Market of the London Stock Exchange in 1988. Titon Hardware Limited remains the principal operating subsidiary of the Group, although we now have Titon Inc. and our investments in Korea, as our business has expanded its reach. I am very pleased that we have reached the 50-year milestone and we celebrated that date with our hardworking staff. I know John Anderson is very proud of his creation and I hope that the second fifty years is similarly successful.

I am pleased to say that Covid-19 restrictions on working have stopped in our core UK and European regions. However, during the financial year to 30 September 2022 we continued to see the after effects of the pandemic in the form of supply chain disruptions. Whilst these have started to recede, the challenges of the pandemic have been replaced as a major concern by the inflationary environment, dictating tightening monetary policy, and by the war in Ukraine and its further impact on the cost of living due to energy shortages and energy price increases. We have seen broad based cost increases from our suppliers and for labour and this has been a major factor in the downturn in our financial results for the year, which we discuss below.

Profit and loss

In the year ended 30 September 2022, the Group's net revenue (which excludes inter-segment activity) decreased by 5.7% to £22.1m (2021: £23.4m).

The Group's gross margin decreased from 31.4% in 2021 to 26.4% in 2022, which reflects the challenges we have faced this year with managing and recovering rising prices. We have faced unprecedented increases in the costs of many raw materials, components and labour, which we have not been able to pass onto customers immediately. We have implemented price increases to our customers, but there is a natural lag in recovering the impact of increases from suppliers. We suffered an underlying operating loss in the period before exceptional items of £770,000; including exceptional items the operating loss was £1,119,000 (2021:

operating profit of £1,119,000). Underlying EBITDA was 92.8% lower at £143,000 and excluding exceptional items EBITDA was a loss of £206,000 (2021: £2.0m). Exceptional items amounted to £349,000 consisting of redundancy and other costs associated with the changes in people we have had to make during the year and also a one-off cost of living bonus we paid to all qualifying employees.

Net finance interest cost amounted to £7,000 (2021 interest: £16,000). The share of profits from the Group's South Korean associate, BTS, rose from a loss of £28,000 in 2021 to a profit of £173,000 in 2022 due to the final realisations from the property transactions that BTS had entered into in prior years. The Korean business, however, continued to suffer from challenging market conditions and the transition to mechanical ventilation in the period. As a result of the underlying loss in the UK and including exceptional items the Group loss before tax was £953,000 (2021 profit before tax: £1,075,000).

Basic statutory earnings per share for the year was a loss of 3.89 pence (2021: 9.24 pence).

An interim dividend of 1.5 pence per share was paid in the year to 30 September 2022 and the Directors are proposing a final dividend of 0.5 pence per share (2021: 3.0 pence). The total dividend for the year will therefore be 2.0 pence per share (2021: 4.5 pence). If approved by shareholders at the forthcoming Annual General Meeting on 22 March 2023, the dividend will be payable on 31 March 2023 to shareholders on the register at 10 February 2023. The ex-dividend date is 9 February 2023.

Statements of financial position and cash flows

The Group benefits from a strong balance sheet with no bank borrowings. Net assets, including non-controlling interests, reduced to £16.0m at 30 September 2022 (2021: £16.8m), with net cash at £1.7m (2021: £4.79m), which is equivalent to 10.8% of net assets (2021: 28.5%).

Cash used in operations before working capital changes was £0.2m (2021: £2.0m cash generated). Inventory levels at the year-end increased by £1.53m on 2021. This was mainly due to increased stock held in the UK business because of an increase in material and labour costs and advanced purchasing of some of our key components where supply constraints had affected our performance during the year. Together with a £0.7m increase in receivables, this reduced cash generated from operations to an outflow of £1.9m (2021: inflow of £1.15m). A key focus and business imperative for the financial year to 30 September 2023 is to improve the underlying performance of the business and reduce stock levels to augment our net cash position.

Capital expenditure reduced to £0.83m (2021: £1.11m) and the Group paid dividends in 2022 in respect of 2021 to the shareholders of Titon Holdings Plc of £0.50m (2021: £0.39m). During the year, no dividends were paid by Titon Korea to Titon Holdings Plc and non-controlling shareholders.

The overall effect has been a net decrease in the Group's cash reserves in the period of £3.07m (2021: decrease of £0.78m). Net current assets at 30 September 2022 were £7.6m (2021: £9.3m) with a Quick Ratio[1] of 1.2 (2021: 1.9). ROCE[2] was a loss of 8.4%, as the business suffered in the difficult trading conditions (2021: 10.1%).

Segment analysis

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

UK and Europe

The UK and Europe comprise of 83.8% of our overall business (2021: 82.0%). As I noted in the Interim Report, the Group suffered from shortages of certain materials and components and continuing cost increases as well as labour and energy cost inflation during the year. These factors have continued to impact us in the second half, although some of the component issues have eased.

We also upgraded our internal ERP system for our UK and European operations in May 2022, which should allow greater automation of production and sales processes. The implementation has not been without its challenges and we have had difficulties in the period since May in manufacturing and shipping products to our customers at the time and in the quantity they require. I know this has been difficult for our customers as well as our own employees who have been trying very hard to meet their customers' expectations, and I am sorry that the usual Titon standards of customer service have not been met. We have been working very hard to restore the levels of service that customers quite rightly expect from us. Whilst a key macro-economic trend that many businesses are facing, it has been particularly difficult to pass on the cost increases we have suffered to our customers as many of our Ventilation Systems division sales are on a project-by-project basis and customers have contracted to buy at fixed prices.

Revenue from the Hardware division, comprising sales of our trickle vents plus window and door hardware, was slightly lower in the year by 3% as our distribution agreement with Sobinco concluded. Sales of Titon branded bought-in products rose by 15% as the Asterion II range launched in 2022 became recognised for its home security attributes.

In our Ventilation Systems division, revenues from mechanical ventilation products fell by 4% overall as we struggled to supply our customers. Sales in the UK were up by 9%, with the Titon FireSafe® Air Brick range continuing to be popular with sales up 16.2% on last year; Ventilation Systems sales in mainland Europe were down 34% as our customers suffered from delays on account of component shortages and waited for our new products to come to market.

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 divisions. We have a very healthy pipeline of new products which we expect to launch in 2023. Further detail on our R&D and new products is detailed within the strategic report.

The final regulations for changes to Part L (Conservation of fuel and power), Part F (Ventilation) and Part O (Overheating), of the Buildings Regulations in England for new dwellings and existing buildings were published on the 15 December 2021 with an effective date for implementation for natural ventilation for existing dwellings being 15 June 2022 and for new build dwellings both natural and mechanical ventilation being 12 months after that date. We have seen increased demand for trickle vents as window fabricators are now required to fit vents on virtually all replacement windows, or provide a suitable alternative, when energy efficient measures are being installed in domestic properties. For mechanical ventilation systems the house builders have a transition period of 12 months before they have to apply the new regulations and we expect to see increased demand for our mechanical products in 2023.

We are faced with a negative outlook in 2023 with the Experian UK Construction forecast in January 2022 showing public and private housing expenditure falling by 7% against 2022, as the economy goes into recession. At the same time, the expected value of repair, maintenance and improvement in the private and public residential sectors is forecast to be the same in 2023 against 2022, leaving overall housing expenditure in 2023 forecast to be 4% lower than 2022. In 2024 total housing expenditure is forecast to be only marginally higher than the 2023 forecast, indicating only a very slow recovery from the challenging times expected in 2023.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products. In the 2022 interim results statement we noted that revenues were weaker than expected due to continuing Covid-19 challenges and delays in construction site projects with sales being deferred and this has continued in the second half. Additionally, as the Group has reported in the past, there has been a shift in market demand in Korea to mechanical ventilation products and away from natural ventilation. These factors have resulted in a reduction in revenue to £3.0m (2021: £3.6m) whilst the contribution to Group profit before tax declined to a loss of £209,000 (2021: loss of £14,000).

tax declined to a loss of £209,000 (2021: loss of £14,000).

The Group's associate company (49% owned), Browntech Sales Co. Limited ('BTS'), which principally distributes Titon Korea's natural ventilation products, was similarly impacted by the downturn experienced by Titon Korea, excluding the final realisations from the property activities that it had previously entered into. The profit recognised in respect of associates (which is all in respect of BTS) in 2022 was £173,000 (2021: loss £28,000). This included the release of a provision made in 2020 against those property investments. We do not expect to see meaningful sales of mechanical products in BTS to start coming through before financial year 2024/25 as it develops its trading relationships. BTS is marketing both a hybrid mechanical ventilation product in conjunction with the manufacturer of that product and also mechanical ventilation with heat recovery products that it is developing or buying in from other manufacturers. Taking Titon Korea and BTS together, South Korea made a negative contribution of £0.04m to the Group's profit before tax for the year (2021: loss £0.04m).

United States

Our US operations represent the smallest geographical segment and results reduced in the period. Sales for the year fell by 16% to £0.53m (2021: £0.63m) as the market remained in a subdued state but our customers remained loyal and continued to use our products where there was a need for trickle vents. Titon Inc. made a statutory loss before tax of £26,000 in the full year (2021: profit of £29,000) but contributed a margin to our UK manufacturing business.

Board

As I reported in the Interim Report our Board recruitment process was completed earlier in the year and our new non-executive directors are making a significant contribution to the business. I am also pleased to report that Alexandra French, our new Chief Executive, who joined Titon in May 2022 has settled in really well and is utilising her experience to guide Titon through the challenges that we have faced this year.

As we announced in September I have stepped back from executive responsibilities after ten years at Titon and have become Non-executive Chair. This will allow me to focus fully on facilitating further governance and strategy initiatives and grant an enhanced autonomy to Alexandra and her Executive team to make the operating changes we need. Of course, I remain in regular contact with all of the Board Directors.

Once again, I would like to thank all of my fellow directors for their efforts in the year and their contributions to Titon, in what has been a challenging year.

Employees

I offer my sincere thanks to all our employees for all their hard work and skills they have shown, particularly in the difficult trading conditions we have seen during the year and the introduction of the new ERP system in May, which proved challenging for them. I really appreciate the difficulties that many of them have faced when we have not been able to meet our customers' needs and I apologise to them for this. We have moved to a hybrid pattern of working for office-based employees to allow them to work from home two days per week where feasible and this provides them with the flexibility that many other employers are also offering. All of our office-based employees returned to office working in February 2022. I would also like to welcome all of our new colleagues to Titon and thank them for the enthusiastic manner in which they have tackled the challenges we face. My colleagues on the Board also recognise the contribution that all our employees have made and thank them for their efforts and dedication.

Investors

Shore Capital, our Nominated Adviser and Broker, has continued to write research coverage on Titon during the year, focusing on our trading updates which have been required and we also thank them for their sound financial advice during the year.

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

Current Trading

UK and Europe

Sales in the first quarter of the current financial year to 30 September 2023 ("FY23") in the UK and Europe have exceeded the comparative quarter in FY22, reflecting the continued strong demand for our products. Sales in South Korea in Q1 FY23 were in line with our expectations.

We enter 2023 with the Office for Budget Responsibility forecasting a recession in the UK starting in October 2022 with output falling by 2.1% in total with a slow recovery of 1.3% in 2024. In the housing markets Experian are forecasting total housing expenditure including repairs, maintenance and improvements to fall by 4% in 2023 against 2022 with only a marginal improvement in 2024.

In 2023 we have identified a number of business imperatives that we expect to deliver during the year and Alexandra French has set out details of them in the Strategic Report. These are intended to stabilise the UK and European business and return the business to growth. We will also start work on a review of the business strategy so that we can plan and steer the growth of the business in the medium term. There are significant opportunities for Titon as the key role that ventilation provides for indoor air quality and public health becomes more appreciated. The tragic death of a 2-year-old child in Rochdale in 2020 that was revealed in November 2022 illustrated very clearly the threat that inadequate ventilation carries, particularly to the young, the elderly and all individuals with underlying health conditions.

As noted above we had difficulties supplying customers with Titon products during 2022 on account of the ERP challenges and component shortages. The supply chain constraints have eased, and there is a backlog of customer orders that we are working hard to manufacture and ship as soon as possible in the coming months. This is one of our business imperatives, and it is crucial for our performance in 2023 that we meet this challenge and our customers' demands. The Group has increased the output of Ventilation Systems products and we have invested to increase capacity for our trickle vents to satisfy the increased demand resulting from the Building Regulations changes in June 2022.

We have filled key management vacancies in the year but had some difficulties recruiting people in other roles, and with the current low levels of unemployment in our region, we expect that we will continue to have some challenges in doing so in 2023. We also acknowledge that the cost of labour will increase in the year. We anticipate that cost increases for our components and raw materials will also continue to impact the Group, consistent with other companies across the sector and the economy more widely in 2023. We continue to seek to manage these inflationary pressures and margin erosion. The Group has raised prices in January 2023 and expects to implement further price rises during the year to recover these input cost increases, although there may remain a natural lag in margin recovery due to the differences in the timing of these changes.

In the UK and Europe, we currently expect to report a loss before tax in H1 FY22/23, but we expect to return to profitability in H2 FY22/23.

South Korea

In South Korea, The Bank of Korea forecasts GDP growth for 2022 will be 2.6%, but for 2023 is projected to increase by 1.7%. Construction investment is forecast to continue its sluggish performance with a slowdown in housing demand and lower government support for the housing sector. As previously noted, we continue to be in a transitionary period for our ventilation products in South Korea as market requirements change.

Outlook

The outlook for the global economy in 2023 is difficult to predict with cost pressures and energy shortages impacting on all the major markets in which we operate. We certainly expect that cost increases will continue in 2023, which will keep the pressure on our margins and demand may weaken if the new build market declines. The impact of the cost-of-living crisis on consumer expenditure is also expected to reduce demand for replacement windows and doors. However, this may be tempered by the changes in building regulations and associated standards in the UK, which Titon is well positioned to benefit from with a range of ventilation products that cover all our customers' needs. Therefore, for our UK and European markets we expect that the business environment will remain challenging for us in 2023 and we remain in a transitionary period in South Korea. Despite these challenges, we continue to have a strong balance sheet, talented employees, a high quality range of products and an exciting pipeline of new products that give us confidence in our medium-term future.

On behalf of the Board.

K A Ritchie
Chair

25 January 2023

Notes:
(Non IFRS GAAP measures)
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 capital employed (capital employed being the sum of shareholders' funds, non-controlling interests and all debt less intangible assets and cash).

Strategic Report

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

Introductory Statement from Alexandra French, Chief Executive Officer

"Since joining Titon in May 2022 I have been particularly impressed by the hard work, commitment, and dedication of all our employees. Throughout my career I have worked in businesses that have been focussed on making a difference to our world and I am delighted to be continuing that at Titon where we are passionate about improving indoor air quality so that people sustain health and comfort. My first six months have certainly been a challenge and full of surprises as we contended with supply chain and operational constraints and it is clear that we have not performed as well as previous years. However, Titon is a great company with excellent people and products and a healthy balance sheet. It's clear to me that we need a much stronger direction to bring the business back on track during the coming year and then a clear strategy that will outline how we will grow and deliver value for shareholders and for society. I am committed and excited to be leading us on that journey."

Summary

Revenue reduction of 5.7% to £22.1m (2021: £23.4m)

Group loss before tax of £953,000 (2021 profit before tax £1,075,000)

Group underlying loss before tax of £604,000 (2021: underlying profit of £1,075,000)

EPS loss of 3.89 pence (2021: profit of 9.24 pence)

Year-end net cash balances down to £1.7m (2021: £4.8m)

Total dividend for the year of 2.0 pence per share (2021: 4.5 pence per share)

Overview

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

The Titon Group performance is monitored across three geographical segments of UK and Europe, South Korea and United States. Within these segments, the principal business activities are design, manufacture, marketing and sales:

- natural ventilation (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 and mechanical ventilation products for the new build, re-build and refurbishment residential market in South Korea.

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

Titon's strategy is to grow both the natural ventilation and mechanical ventilation businesses by market growth, market penetration and development of new products.

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 50. A summary of the results along with other selected Key Performance Indicators ("KPIs") is as follows:

	2022 £'000	2021 £'000
Revenue	**22,087**	23,412
(Loss) / profit before tax	**(953)**	1,075
Taxation	**410**	(72)
(Loss) / profit after tax	**(543)**	1,003

Revenue per employee	**108**	116
(Loss) / profit after tax per employee	**(2.6)**	5.0
Year-end net cash and cash equivalents	**1,726**	4,794

The Group has suffered this year from shortages of raw materials, key components and labour as well as significant cost increases for materials, labour and energy. As result there has been a negative impact on our financial performance and position. The Group has sought to manage the inflationary margin erosion which has impacted our financial performance through price increases, material cost savings and operational efficiencies. Our trading was also affected by unforeseen operational impacts associated with the implementation of a new internal ERP system for our UK and Europe operations. Business in South Korea also remains below previous levels due to a slowing in the housing construction market and an ongoing change in product requirements. Group Revenue has decreased by 5.7% to £22.1m (2021: £23.4m) and this has resulted in an underlying Group loss before tax (excluding exceptional items) of £0.6m (2021 underlying profit before tax: £1.1m) and a Group loss before tax including exceptional items of £0.95m (2021: profit before tax £1.1m). The tax credit for the year of £0.4m (2021: charge of £0.07m) is due to a deferred tax credit reflecting trading losses and capital allowances. A full review of the Group's performance during the year is given in the Chair's Statement.

Organisational structure

The Group has made a number of strategic organisational changes during 2022 to position it for change and for future growth. Key new hires have strengthened the senior leadership and management teams. We have a new Operations Director and have also recruited a Head of Supply Chain and recruiting a new Head of IT, both newly defined roles required to deliver the business imperatives detailed in the goals and strategy section. Both Procurement and Planning are areas that offer us significant opportunities for financial and operational improvements. We are also actively recruiting for a Commercial Director to lead sales, marketing and customer service on a global basis across both the Hardware and Ventilation Systems divisions. Strengthening and shaping the organisation to ensure the Group hits its financial targets will be an exciting key focus in 2023.

Covid-19

The health and safety of all our employees remains a top priority for the Group. The Group is no longer impacted by the Covid-19 pandemic, and we feel well equipped to deal with any future waves in the UK. However, we continue to monitor the Covid-19 situation very carefully in the UK and Europe as well as in countries of our key suppliers where government imposed lockdowns could have the potential to cause supply disruption. Our supply chain strategy would be to forward order and hold higher stocks should we deem there to be a high risk of disruption. We also have a policy of dual sourcing key components where possible.

Goals and strategy

We are passionate to improve indoor air quality; good indoor air quality means clean air for society to sustain health and comfort.

During 2023 we will be working on a review of the Group's strategy that will clearly outline how we are going to advance and grow the organisation to deliver value both to shareholders and to society. However, in the meantime the senior leadership team has defined a set of eight business imperatives that will guide us through the year and ensure that we stabilise the business and also position the Group for growth.

Our business imperatives are the crucial things that we must achieve this year. They are closely interlinked and complement one another. Each imperative will be regularly monitored through a defined set of financial and operational KPIs.

Our business imperative	Why it is important for us	What we are doing and will we be doing to achieve it
Catch back on production arrears and maintain agreed finished goods stock levels	- to enable increased sales - to return to our previous high levels of customer service	- increasing production output through increased manning, operational efficiencies, process and planning improvements and capital investment - once arrears are cleared, maintaining target finished good stocks for all make-to-stock products
Improve working capital including reducing site inventory	- to improve the balance sheet and release cash held in inventory - to create space on site to optimise stock management and support delivery of production plans	- reducing raw material and obsolete finished goods stock holdings - maintaining high inventory record accuracy - ensuring strong supplier relationship management and implementing improved terms with top suppliers - maintaining debtor tracking
Achieve stable, engaged and present workforce	- to ensure that we have sufficient and correct resources available to deliver each business imperative - to ensure that we have the correct people resources to deliver a growth strategy	- implementing the appropriate organisational structures to meet the business needs - implementing objective setting and performance reviews for all employees linked to these business imperatives - conducting an employee survey and acting on the feedback - providing required employee training and support
	- to deliver operational	- use of embedded BI and

Realise business benefits from new Microsoft D365 ERP system through improved business processes	efficiencies and higher output - to improve visibility of data that drives key business decisions - to enhance control of key processes	other D365 reporting tools - implementing workflows within D365 - scoping and delivering end to end continuous improvement project with defined benefits case
Deliver innovative new products to drive business growth	- to ensure our product range meets future customer and regulatory requirements - to remain market leading in our product offerings - to enable increased sales	- launching several key new products to the market in 2023 - maintaining and enhancing new product introduction process from idea through to launch
Improve profitability and margin through hardware product range rationalisation	- to improve business financials - to improve operational efficiency through reduced product complexity	- reducing the hardware product range offering - implementing optimised minimum order quantities - reviewing and aligning pricing
Develop strong sales pipeline through existing and new customers	- to enable increased sales and position the Group for growth - to rebuild and strengthen customer relationships after a challenging year - to return to our previous high levels of customer service	- restructuring and strengthening the Customer Service team - implementing an enhanced CRM within Microsoft D365 - ongoing monitoring and analysis of sales funnel with defined growth targets
Improve workplace safety by reducing workplace incidents	- to ensure the health, safety and wellbeing of all our employees	- improving health and safety culture by setting an Environmental Health and Safety (EHS) objective for every employee - ensuring visible felt leadership - developing and improving our EHS Committee

Business model

Within its main geographical classifications of the UK and Europe, South Korea, North America and All Other Countries, the Group operates in two divisions:

(i) the natural (trickle) ventilation and Window & Door Hardware division, in which Titon has operated since its formation 50 years ago in 1972 which includes South Korea. This activity accounted for 62% of Group revenue in 2022 (2021: 63%); and

(ii) the mechanical Ventilation Systems division, which the Group entered 15 years ago in 2007 and which accounted for 38% of revenue in 2022 (2021: 37%). See Business Segmentation information on page 63.

The Group generally organises its sales and marketing activities into these divisions with manufacturing and all other services supporting them both on a shared basis. The executive leadership team manage both divisions.

In the UK, the Group has a direct sales force for each division and aims to win specifications for its products through its dealings with developers/housebuilders, architects, building services engineers and local authorities. Where a project isn't specified, 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 & Door Hardware and Ventilation Systems, is to appoint local distributors and to support them in specifying and building the Titon brand. Within the Ventilation Systems division, the Group also supplies OEM (Original Equipment Manufacturer) products for its customers and continues to target a significant increase in its activities in continental Europe.

In South Korea, Titon Korea makes almost all its sales to BTS which sells products onward to its customers in the residential construction sector. Titon entered the South Korean market in 2008.

The Group also has a wholly owned subsidiary, Titon Inc., based in Indiana in the USA. Sales into this market accounted for 2% of Group revenues during the year (2021: 3%).

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 61% (2021: 58%) of overall Group turnover and products manufactured in South Korea account for 18% (2021: 15%). The remaining 21% (2021: 27%) 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.

Research and Development

Research and development continues to play an important role in the Group's success as the need to provide increasingly energy efficient ventilation products remains a growing requirement of our market over the coming years. This year we significantly improved our New Product Introduction (NPI) process to include robust business case and project justification analysis, stage gate sign off by all stakeholders at each stage and comprehensive project milestone tracking, ensuring that all the new products we launch will deliver value.

Investment in research and development was £629,000 during the year (2021: £509,000), amounting to 3% of sales (2021: 3%). We saw an increase in spend over prior year due to increased testing costs as we approved and released alternative components during worldwide supply chain shortages.

Design, development and launch of new products has been a significant contributor to the success of the Group over past years. Over the last 5 years the Group has successfully developed and launched many new products and product variants which have made a significant contribution to our revenue, both in securing new business and also in maintaining existing business through product evolution. Our approach is driven by customer, market and regulatory needs.

These are some of our recent new product highlights:

The Titon FireSafe® Air Brick launched in 2020 recently won 'Ancillary of Year' at the prestigious HVR awards. We developed this product in response to the terrible Grenfell disaster and subsequent legislation changes in building regulations Part B. It remains a market leading product.

The Titon Ultimate® dMEV launched in 2021 achieved the accolade of 'Highly Commended' at the recent Energy Saving Awards for Domestic Product of the Year. We developed this product to meet new June 2022 building regulations Part F and comply with new strict test procedures from Building Research Establishment (BRE). Changes to the BRE testing process for dMEV fans requires that the fan should now be more powerful to overcome external wind pressure. This means that a large number of traditional extract fans can no longer be used. The Titon Ultimate® dMEV is one of only a few fans to meet, and also exceed, the new test requirement and is therefore well placed to take advantage of these changes. The Titon Ultimate® dMEV was one of the first products listed when the new SAP10 database went live, initially being one of only two options.

In 2022 we developed and launched our Asterion II 3-Star high security anti-manipulation profile cylinder to protect against ever increasing security threats and more stringent security testing requirements in the UK. It is BSI Kitemark certified and has been awarded Secured by Design (SBD) status.

We have developed new advanced control systems, including Wi-Fi connectivity and control of MVHR units using a mobile phone App (Android and Apple). Our industry standard MODBUS interface also allows interfacing with Building Control Systems (BMS), enabling building owners to monitor the entire site for maintenance and fault detection purposes.

During 2022 our popular ranges of MVHR and CME units were expanded to dual source critical components whilst maintaining high quality and high levels of performance. This enabled us to mitigate the continuing global supply chain issues and positions us well going forward.

During 2023 we will be launching several key new products to the market that will deliver growth across both our Hardware and Ventilation Systems divisions for the UK and Europe. On the Hardware side we have developed and patented a new trickle vent that responds to external air pressure and regulates the flow of air into the property. This is important in ensuring that regardless of the outside air pressure the property is adequately ventilated without causing draughts, one of the prime reasons that house occupiers close their trickle vents and thereby reduce or stop the levels of ventilation required. One of our upcoming launches for Ventilation Systems is a new larger, more energy efficient mechanical ventilation product with heat recovery unit for our UK and European markets.

Key Performance Indicators (KPIs)

The Board looks at a range of KPIs to monitor the performance of the Group throughout the financial year. These include KPIs to track delivery of the business imperatives. At individual team and departmental level relevant KPIs are also monitored and tracked regularly. 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' performance	Measured against budget and prior year on monthly basis
Individual division performance	Measured against targets and prior year on weekly basis
Sales, margins and prices of core products	Top 25 products reviewed monthly (at divisional management levels and operating segments)
Sales to customers	Top 25 customers and 12 month rolling sales reviewed monthly (at divisional management levels and operating segments). Sales by individual area sales managers reviewed weekly
Purchases	Top 25 suppliers and delivery performance reviewed monthly
Net cash	Reviewed weekly by Board and by senior management
Working capital	Inventory, average debtor days and average creditor days reviewed monthly by senior management

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

Chart, waterfall chart Description automatically generated

Note: 2018 figures are restated

2021/22 performance

The financial results for the year are shown above and are discussed throughout the Annual Report. The significant outcomes for the year are as follows:

- The implementation of the new internal ERP system for the UK and Europe operations was completed.
- Recruitment was completed for key new leadership roles in Operations and Supply Chain (Procurement and Planning).
- In the UK sales of trickle vents were up 8% on the prior year and up 18% in the period July to September 2022 following the introduction of the revised building regulations and associated standards for the UK in 2022. However, sales of window and door hardware products fell by 20% as our distribution agreement with Sobinco came to an end following its decision to sell its window and door hardware products direct to customers, rather than through Titon. However, we have developed a successful partnership with European window and door hardware company Roto to sell their products in the UK and we expect to see our window and door hardware sales improve next year as a result of this, although not immediately to the level of prior years.
- Despite supply chain constraints for part of the year, we saw sales of Ventilation System products and services in the UK rise by 9% in the period against prior year. However, sales to continental Europe and the rest of the world were down by 34% as we struggled to meet demand and recover the production arrears caused by the component shortages earlier in the year.
- Sales of the Titon FireSafe® Air Brick, which was introduced in 2019/20, grew by 16.2% on 2021. We have won prestigious industry awards for our Titon FireSafe® Air Brick and Titon Ultimate® dMEV, reflecting the success of our continued product development activities.
- Sales to Titon Inc. in the US were 16% below the prior year due to a weak market for multiple occupancy homes.
- Sales in Korea of natural ventilation products were 15% below the prior year due to a continued slowdown in residential new build construction. The market transition to marketing and selling mechanical ventilation products alongside natural ventilation products is taking longer than originally anticipated.
- We have implemented leaner, more efficient processes for some of our manufacturing activities to recover production arrears and increase output to support future growth. We have also started a new Sales Inventory and Operations Planning (SIOP) process to create a longer-term, forward-looking plan that will enable us to achieve our business goals.
- We have put considerable attention on improving our culture and focus on health and safety with positive

results.

- Employee numbers decreased slightly during the period from 214 in September 2021 to 209 at September 2022. In Korea we saw a small reduction in people to align with the market slowdown partially offset in the UK by additional people in key new strategic roles plus increased staffing in production to catch up on order backlogs. Salaries are reviewed annually, and market level increases were given to all Titon Hardware Ltd employees with effect from 1 October 2022. The Group will continue to review its performance and the market conditions and will review salaries again in early 2023.

2022/23 activities

The focus for 2022/2023 is to stabilise the business and then return it to profit through delivery of the business imperatives outlined in the goals and strategy section on pages 9 to 11. We have set budgets for all regions and divisions of our Group which reflect our view of market conditions: the anticipated positive impact from the 2022 building regulation and associated standards changes and our internal growth ambitions. Specific initiatives for the current fiscal year include:

- Delivery of all business imperatives including:
    - conclude organisational changes;
    - return to previous high levels of customer service;
    - reduce site inventory;
    - increase production output through efficiencies and investments;
    - strong supplier relationship management with improved terms;
    - implement a new CRM system within our new Microsoft D365 ERP system;
    - realise process efficiencies from our new ERP system;
    - rationalise our Window & Door Hardware product range;
    - launch of several key new products for the UK and Europe markets;
    - a continued focus on improving health and safety culture and reporting of incidents;

- Develop plans for and initiate a review of the Group strategy.
- Increase our penetration into the residential mechanical ventilation market in the UK through increased sales to new and existing customers. The revised building regulations and associated standards for the UK drive towards increasingly more airtight dwellings for energy efficiency. This means a likely move away from intermittent extract systems to continuous running products, such as Titon's CME, MVHR and Ultimate® dMEV, which will become the predominant solutions.
- Increase our sales into the social housing market with existing products and also new products that will be launched in 2023, where there is now a more robust analysis when property upgrades are undertaken, driving an improvement in quality of the ventilation product installed, ideally meeting the same standard as new build dwellings.
- Increase our natural ventilation sales in the UK where the revised building regulations and associated standards now require trickle vents to be fitted in virtually all replacement windows. Our growth will be supported through already identified and commenced capital investment and operational efficiency improvements.
- Increase market share of Titon branded bought-in hardware, particularly our new advanced door cylinder and friction hinges, and develop the new distribution partnership with Roto in the UK.
- Continue to drive efficiencies and improved customer service throughout our UK operations through the implementation of lean principles and practices.
- Continue working with Regulatory and Governmental organisations to increase awareness of the effects of inadequate ventilation and poor indoor air quality. Revised building regulations and associated standards released in 2022 remain positive for our business.
- Streamline the corporate structure and operations of the Korean business.

Environmental Social and Governance Report

Titon prepared its first separate report on Environmental, Social and Governance (ESG) last year. ESG reporting remains increasingly important for investors and we also want to continue demonstrating that we recognise our own responsibilities to the environment. In 2019 we publicly committed to becoming a net zero company by 2050.

The UK Government introduced regulations in April 2022 that require climate-related financial disclosures to be made for publicly quoted companies, large private companies and LLPs. For companies quoted on AIM this applies if the business has more than 500 employees, so Titon is not currently required to make these disclosures but again, the direction of travel is clear and supports our intentions.

One of the key questions raised by investors in the context of ESG is "Does this company make the world a better place?" Within this question there are many different ways of measuring whether a company achieves this, and it is not possible to use a single equation or methodology to arrive at an answer. Different stakeholders will have different requirements in answering this question but as a Board we have a duty to enshrine this principle in every action we take. One way of answering this question is to look at the products we make and how they benefit the community: we design, manufacture and sell ventilation equipment and this boils down to providing an essential need for every person, which is clean air. All of our ventilation products are designed to provide fresh, clean air to homes and buildings' occupants and to dispel moisture, carbon dioxide and volatile organic chemicals from those buildings, any of which could cause respiratory illnesses or allergies to those occupants. In many countries in which we sell our products local building regulations require ventilation to be included in all new house building. We are also seeing more commitment from governments in ensuring that in the retrofit market attention is paid to ventilation: if a building is insulated then the natural pathways for air to flow in and out are blocked up and it becomes essential that new routes to allow clean air in are provided.

In the drive for energy efficiency and ensuring that buildings are adequately ventilated we work with a network of stakeholders including our customers in the window and door market and the house building market in the UK and Europe. We also work with our trade associations, Beama Ltd and FETA to promote ventilation in the UK and a number of other organisations, including the UK All Party Parliamentary Group for Healthy Homes and Buildings and the Air Pollution APPG.

Environmental Pillar

The Board recognises its responsibility 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 the local community. The Group follows ISO 14001:2015 for Environmental Management Systems within its UK manufacturing operation and places great emphasis on ensuring that it conducts its operations such that:

- Emissions to air, releases to water and land filling of waste do not cause unacceptable environmental impacts and do not offend the community.
- Significant plant and process changes are assessed and positively pursued to prevent adverse environmental impacts.
- Energy is used efficiently and consumption is monitored.
- Natural resources are used efficiently.
- Raw material waste is minimised.
- Waste is reduced, reused or recycled where practicable.
- The amount of packaging used for our products is minimised.

As part of its processes, the Group's environmental performance is reviewed regularly by senior management and a programme of continuous improvement for the benefit of customers, employees and the environment has been adopted. We remain focussed on reducing our energy usage and maintain detailed records of each area's gas and electricity consumption with the aim of taking prompt action if any unexplained increase is observed. Based on the latest energy figures available our UK electricity usage decreased by 9% in 2022 against 2021 whilst UK gas usage decreased by 4%. UK motor vehicle fuel usage has decreased by 23% over 2021.

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:

	2022	2021
Source:	**tCO_2e**	tCO_2e
Combustion of fuel and operation of facilities	**535**	553
Electricity, heat, steam and cooling purchased for own use	**235**	304
Total tonnes of CO_2 equivalent	**770**	857
CO_2 emissions normalised per £ million of sales of manufactured products	**45.6**	50.1

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 2022.

We have taken action over recent years to reduce our environmental footprint and will continue to do so. Actions we have already taken include:

- An investment of over £150,000 in solar panels, which are installed on the roof of our Haverhill factory. These panels continue to generated over 125 Mwh of electricity per year, which we use in the factory or sell back to the National Grid;
- Installation of LED lighting throughout the Colchester Office and the Haverhill factory;
- Replacing all diesel cars in the company car fleet with electric vehicles, wherever possible, when they come up for renewal. We have EV charging points installed at both the Colchester office and Haverhill site;
- Replacement of older fixed asset plant and machinery with new, more efficient units, for example our Amada Press which we purchased in April 2021. In 2023 we are planning to make such investments in our Mould Shop.
- Installation of a reverse osmosis plant in our paint facility, which has reduced the usage of caustic soda and hydrochloric acid by 50%, with an added health and safety benefit.
- We have an ongoing initiative to reduce single use packaging for raw material supplies and have replaced our own plastic packaging with either cardboard or recycled plastic, wherever possible.
- We have a target to reduce waste to landfill from the Haverhill production site by 50% by end 2023, with a further goal of zero waste to landfill in subsequent years.

We apply the waste hierarchy, as laid down in law, and which forms part of our ISO 14001:2015 certification. The basic principles are "Reduce, Reuse and Recycle" and are incorporated in the Titon Recycling Policy under which we aim to reduce waste in all our packaging, products and processes.

We will continue to take all actions that reduce our energy, water and waste usage. We will also look to report our environmental footprint using a third-party reporting mechanism.

Social Pillar

The Group has various published policies relating to the Social pillar. These are communicated through our Intranet, noticeboards and the Employee Handbook. Our comprehensive Employee Handbook published in 2021 includes all of our employment policies, a summary of the Health and Safety policy, our Diversity Policy, our Safeguarding and IT Security and our Environmental policies. The chapter entitled "Valuing Diversity and Respect at Work" covers the following matters:

- Equal Opportunities Policy: Titon is committed to encouraging equality and diversity among our workforce. Our objective is to create a working environment in which there is no unlawful discrimination and where all decisions are based on merit. The policy applies to all employees, workers, agency workers, contractors and job applicants and covers all of the nine protected characteristics set out in the Equality Act 2010.
- Bullying and Harassment Policy: we are committed to providing a working environment free from bullying and harassment and this policy covers both at work and out of the workplace, including work trips, work-related events and social functions. It also includes all employees, agency, casual workers and independent contractors.
- Grievance Policy: every employee has the right to raise a grievance if they have a genuine complaint about their job, work or terms and conditions of employment and the policy principles are written down in the Handbook.
- Disciplinary Policy: the policy sets out the process for dealing with disciplinary and performance issues and to ensure that any matters are dealt with fairly and consistently.
- Whistleblowing Policy: Titon is committed to the highest possible standards of ethical, moral and legal business conduct. The policy aims to provide a route for employees to raise any concerns they may have on matters that could have a serious impact on Titon such as incorrect financial reporting, unlawful actions or serious improper conduct.

I can report that there have been no occurrences under any of these policies during the financial year.

The Safeguarding and IT Security Policy includes the policies on Anti-corruption and Modern Slavery and Human Trafficking. Under the Anti-Corruption Policy the Titon Group lists a number of fundamental principles and values which it believes are the foundation of sound and fair business practice and which are important to uphold. It is the Titon policy to comply with all laws, rules and regulations governing anti-bribery and corruption in all countries in which Titon operates. As a UK company Titon is also bound by English law which covers our conduct both in the UK and abroad. The penalties for breaching this law are significant both for the individuals involved and the Company and we take our legal obligations very seriously.

Titon is committed to the principles of the Modern Slavery Act 2015 and the abolition of modern slavery and human trafficking. We do not enter into business with any organisation which knowingly supports or is found to be involved in slavery, servitude and forced or compulsory labour. Due to the nature of our business, we have assessed that we have a low risk of modern slavery in our business and supply chains. Our supply chains are limited, and we procure goods and services from a restricted range of UK and overseas suppliers. We will continue to embed these principles through our procurement and employment policies and practices.

Employee Gender Breakdown

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

	2022	**2022**	**2022**	2021	2021	2021
	Male	**Female**	**Total**	Male	Female	Total
Directors	**5**	**2**	**7**	8	-	8
Senior Managers	**6**	**2**	**8**	8	2	10
Other	**121**	**73**	**194**	131	65	196
Total	**132**	**77**	**209**	147	67	214

We continue to support a number of local and national charities throughout the year. Our colleagues in Colchester and 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.

Corporate Governance Pillar

We have presented our Corporate Governance position for many years, firstly under the UK Corporate Governance Code when we were quoted on the Main Market of the London Stock Exchange and since 2020 under the Quoted Companies Alliance (QCA) code after we moved to AIM. Please see page 37 of this Report for the detailed Corporate Governance Report. Our website also contains more details of the governance disclosure including how we apply the 10 principles identified by the QCA Code.

In summary, I am confident that we have applied the 10 principles identified by the QCA Code throughout the accounting period in question and will continue to do so in the current financial year.

Health and safety

Health and safety is a top priority for the Group and we expect all employees to take responsibility for keeping themselves and each other safe. It is critical as a manufacturing business that our employees operate in a safe environment and that our Health and Safety culture, policies and practices are as good as they can be. We are always looking to improve them and importantly adhere to them. We continually review and update our Health and Safety policies and have a dedicated Health and Safety Manager role in the business. During 2022 we have put increased focus on hazard spotting, reporting and resolution by all employees in order to further improve the safety of our work environment. We are pleased to witness significant improvements in this area. The Group has also developed a Health and Safety roadmap that allows us to track and manage our health and safety compliance, training and priority projects.

The approach to health and safety management for the Group is as follows:

Board of Directors	Overall responsibility for setting policy and performance, promoting excellence in EHS as a personal and organisational core value and role modelling the expected behaviours.
Senior leadership team	Meets weekly to review statistics, every reported incident and the status of the EHS roadmap. The Chief Executive, Chief Financial Officer and all executive directors attend. Also promotes excellence in EHS and shows the expected behaviours.
Local management	Meets daily to review health and safety incidents and issues. Responsible for setting expectations, following the rules set, managing EHS risks and promptly addressing EHS incidents and issues, including non-compliance.
All employees	Have the responsibility to look after the health and safety of themselves and others by proactive hazard reporting and resolution, prompt reporting of all incidents and cooperating with instruction and training.
Health and Safety Manager	Responsible for driving a positive health and safety culture, supporting resolution of day-to-day issues, leading on incident investigation and implementing lessons learned, and implementation of changes to policy.
Health and Safety Committee	Is represented by operational team members across all departments and is chaired by the Operations Director with support from the Health and Safety Manager. The committee meets monthly to discuss and address operational health and safety issues. Minutes are produced and distributed along with an action plan.

The accident statistics for our UK operations are as follows:

- January to December 2021 17 reported accidents, 0 RIDDOR reported
- January to December 2022 51 reported accidents, 0 RIDDOR reported

Compared to 2021 we have seen a significant increase in the number of accidents reported, although the vast majority of these are minor. This is due to an improved reporting culture and the focus applied to a 'safety first' approach, and not a reflection of a drop in health and safety performance. We have improved our reporting processes for all incidents (including accidents, hazards, and near misses) and have also improved our processes for sharing lessons learned. The Group is very pleased to see this improvement in culture. Alongside the increase in accident reporting we have also seen a significant increase in hazard reporting which we know helps prevent the occurrence of more serious incidents.

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. As at 31 December 2022, we had reached 1,506 days without a RIDDOR report being required, which is a reflection of the minor severity rating of our incidents.

Statement by the Directors in relation to their statutory duty in accordance with section 172(1) of the Companies Act 2006

Stakeholder Group	Why do we engage with them?	How does the Board engage with them?
Shareholders	The Board needs to know investors' views so they can be considered when making strategic	We have regular dialogue with institutional Investors and individual shareholders in order to develop an understanding of their views.

	and governance decisions. We aim to provide fair, balanced and understandable information about the business to enable informed investment decisions to be made.	We listen to the views of our Nominated Adviser in this respect. Our AGM is an important forum for private shareholders to meet the board and ask any questions they may have. Our website has an investors section which gives investors direct access to reports, press releases and other information. There is also a contact mailbox facility.
Employees	Employee engagement is critical to our success. We aim to create a diverse and inclusive workplace where employees can reach their full potential. This ensures we can retain and develop talented people. We have the highest regard for the health, safety and wellbeing of our employees.	We engage with our employees through site communications, consultation with employees, briefings, question boxes, performance reviews, surveys, newsletters and notice boards. Employees are also written to individually on matters which are deemed important. Every employee is issued with a comprehensive employee handbook with all of the employment conditions and policies set out clearly so that everyone can see what is expected of them. We have another employee survey planned for 2023. We continue to make every effort to protect our employees.
Customers	Our strategy of attaining sustainable growth in profit and building goodwill in our brands will only be achieved through an understanding of the needs of our customers and the markets we serve.	We engage with our customers through: • Regular visits and meetings including virtual meetings • Industry exhibitions • Customer site tours and presentations • Our website • Supplying samples and supporting literature • Delivering a high standard of technical support • Providing design services and support • Providing accredited Continuing Professional Development (CPD) courses
Suppliers	Our suppliers make an important contribution to our business success. Engaging with our supply chain means that we can ensure security of supply and speed to market. Carefully selected high-quality suppliers ensure we deliver market leading innovative products to meet our customers' expectations.	Our supplier relationship management is led by our procurement team and supported by R&D and Sales. We engage with our suppliers by holding regular meetings with them and via a feedback process through monitoring their performance.
Community/ Environment	The Board has a full understanding of the importance of good community relations. We aim to contribute positively to the communities and environment in which we operate.	We provide ventilation products that are beneficial to health and that are better for the environment. Many of our capital expenditure projects focus on improving energy efficiency and reducing environmental emissions from our factories. We have ISO 14001 Accreditation in the UK. We work with our stakeholders to promote good indoor air quality. We support local charities through fundraising and donations.
Government and Regulatory Bodies	Government set the regulatory framework within which we operate. We engage to ensure we can help in shaping new policies, regulations and standards, which assist in improving indoor air quality, and ensure compliance with existing legislation.	We participate in industry bodies and working groups and our directors chair ventilation groups within the trade associations. We attend All-Party Parliamentary Groups and plenary sessions. We participate in and respond to industry and government consultations.

In compliance with the Companies Act 2006, the Board of Directors are required to act in accordance with a set of general duties. During the year to 30 September 2022, the Board of Directors consider that they have, individually and collectively, acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term and the Company's wider relationships. In doing so, the Board holds regard to the matters contained in section 172(1) (a)-(f) of the Companies Act 2006.

The Directors fulfil their duties by ensuring that there is a strong governance structure in place across the Group's operations, backed up by robust processes.

The strategy for the Group is regularly monitored by the Board during the year. In respect of major matters discussed at board level, the likely impact on all stakeholders are carefully considered and where possible, decisions are carefully explained and discussed with affected stakeholders before actions are implemented to engender the necessary support.

The Group's key stakeholders and why and how we engage with them are set out below:

Application of s.172 during the year

During the year the Board has, amongst other things, recruited a new Chief Executive to drive change in the business, looked at the structure of the Titon Holdings and Titon Hardware boards and developed the growth strategy of the business. We have also implemented a new ERP system for the operations and finance parts of our business, which has generated many issues which we have had to resolve. In Korea we have discussed and considered a re-structure of the Korean businesses to simplify the arrangement.

We have continued to comply with the requirements under s.172 in the period of the Covid-19 pandemic and the easing of restrictions in early 2022. Key decisions made included:

- Enabling office-based staff and sales executives to work from home by providing them with laptops and appropriate software applications.
- Implementing Covid-19 Health & Safety procedures in line with Government guidelines.
- Providing lateral flow tests to all employees and daily monitoring of Covid-19 outbreaks in our sites.

Report on Risk Management

Principal risks and uncertainties

The Group has established procedures for monitoring and controlling principal operational 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 regularly 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

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. The Group is evaluating options for streamlining the corporate structure and operations of the Korean business.
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. There is also a risk of business disruption if key sub-contractors experience an incident on their site or were to cease trading.	Incidents such as a fire at the Group's or sub-contractor premises or the failure of IT systems could result in the temporary cessation in activity or disruption of the Group's production facilities impeding the Group's ability to deliver its products to its customers. A cyber-attack could leave the Group open to a ransom demand or compromise data security both for the Group and customers.	The Group has developed business continuity and disaster recovery plans. The Group maintains a significant amount of insurance to cover business interruption and damage to property from such events. Additional measures have been taken to ensure the security of the Group and customer data. The Group gets a fire risk assessment carried out by an external party (last completed 6 September 2022) and actions/suggestions raised are reviewed and actioned accordingly. A fire suppression system is installed in relevant manufacturing areas. Visits take place by the local fire service to review and provide feedback on fire safety systems and practices. The Group implemented multifactor authentication for relevant employees. The Group has implemented a Cyber Security training and awareness programme for all employees. The Group's strategy is to maintain essential systems in the Cloud. The Group has an email security gateway system in place. The Group has a register of Titon owned tooling held at sub-contractors. The Group looks to review sub-contractor insurance and business continuity policies.
Reliance on key customers and suppliers Parts of the Group's business are dependent on key customers and key suppliers.	Failure to manage relationships with key customers and suppliers could lead to a loss of business affecting the financial results of the Group.	The Group's strategic objective is to broaden its customer base wherever possible. The Group focuses on delivering high levels of customer service and maintains strong relationships with major customers through direct engagement at all levels. We also maintain close links with suppliers to ensure products are up-to-date and service levels are maintained. The Group maintains ISO 9001 standard and a robust complaints process. The Group closely manages its pricing, rebates and commercial terms with its customers and suppliers to ensure that they remain competitive. The Group has a policy of dual sourcing key components where possible.
Supply chain risks The risk of extended lead times beyond forecast windows due to restricted component availability. The risk of continued material price inflation and hence margin erosion.	Decrease in cash due to increased stock holding. Loss of customers due to an inability to meet demand or uncompetitive pricing. Increased risk of obsolescence.	The Group operates strategic purchasing of key long lead time items. The Group holds weekly Sales Inventory and Operations Planning reviews. The Group has a policy of dual sourcing key components where possible. The Group ensures robust supplier relationship management. The Group can implement customer agreements to incorporate specification changes if required.
Recruitment and retention of key staff The Group is dependent on the continued employment and performance of its senior management and other skilled personnel.	Loss of any key staff without adequate and timely replacement could disrupt business operations and the Group's ability to implement and deliver its growth strategies and financial targets.	The Group will be preparing a formal succession plan in 2023. The Group aims to provide competitive remuneration packages and bonus schemes to retain and motivate key staff.
Risk	**Potential Impact**	**Mitigations**
Recruitment and retention of staff The Group is dependent on the continued employment and performance of all staff.	Failure to maintain adequate staffing levels could impact on all business activities and the Group's ability to meet its defined targets.	The Group reviews market conditions, cost of living and the National Living Wage and aims to provide competitive remuneration packages and bonus schemes to retain and motivate staff. The Group has a robust recruitment and onboarding process. The Group has several employee engagement initiatives in place including training and personal development opportunities and performance review and objective setting processes. The Group has a two-way employee feedback process in place.
Economic conditions The Group is dependent on the	Lower levels of construction industry	The Group closely monitors trends in

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.	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. This is considered to be a high risk to the Group given the current inflationary pressures and prospects of a recession in our markets.	the industry using a wide range of external data including Experian's reports and forecasts for the UK and other reports in the rest of the world. Current forecasts for residential new-build and refurbishment markets in the UK and South Korea for 2022/23 suggest a slowing in activity. However, the social housing sector is expected to remain fairly strong. The Group spreads its risk by having product lines and customer bases across new-build, refurbishment and social housing sectors, and is not reliant on single key customers. The Group monitors product demand on a weekly basis and is able to respond accordingly in re-allocating or varying resources. The Group continually seeks to expand the geographical markets into which it sells its products.
Government action and policy The Group's business is significantly affected by Building Regulations in its core markets as well as by Government action and policies relating to public and private investment.	Many of the Group's products are provided to customers in order to help them to comply with Building Regulations in respect of ventilation. Changes to Regulations could adversely impact on sales volumes affecting the Group's financial results. Additionally, significant downward trends in Government spending could have an adverse impact on the construction industry which could impact on sales and production volumes affecting the Group's financial results.	The Group closely monitors and attempts to influence Building Regulations through its work with industry working groups. The UK ventilation and heat and power use regulations will be subject to a comprehensive review by 2025. The Group structures its operations so that it has a balanced exposure to the construction sectors and the refurbishment sector to reduce the impact of any adverse Government action or policy on any one of these sectors.
Risk	**Potential Impact**	**Mitigations**
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. Sample testing is carried out on bought-in hardware 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 endeavors to ensure that its products are in compliance with relevant fire safety regulations. The Group maintains product liability insurance to cover personal injury and property damage claims from product failures as well as professional indemnity cover for areas of the business where advice about products is provided as part of the sales process.
Financial risk management The Group's operations expose it to a variety of financial risks including fraud, credit and foreign exchange risk.	Losses from any of these financial risks could impact the Group's financial results.	The Group has financial risk management procedures and controls in place that seek to limit the adverse effects of the financial risks.

This Strategic Report was approved by the Board on 25 January 2023 and signed on its behalf by:

A French
Chief Executive

Directors' Report

The Directors present their report and the Group and Company financial statements for the year ended 30 September 2022.

The Directors of Titon Holdings Plc throughout the financial year or subsequent to the year-end are listed on page 35.

A detailed commentary on the results for the year and discussion of future developments is given in the Chair's Statement on pages 2 to 7 and an explanation of the Group's business strategy is included within the Strategic Report on pages 9 to 12.

The Group's compliance with the QCA Code is set out in the report on page 37.

Substantial shareholders

As at 30 September 2022, the Company had been notified of the following voting interests in its ordinary share capital, 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	11.28
Harwood Capital LLP	980,000	8.74
Ms A J Farrar	663,079	5.91
Mr D J Barry	338,000	3.01

Share capital

The total issued ordinary share capital at 30 September 2022 consisted of 11,218,750 Titon Holdings Plc shares of 10p each. 25,000 new ordinary shares were issued during the year to satisfy share option exercises.

Details of the authorised and issued share capital of the Company as at 30 September 2022 are set out in note 19 of the Notes to the Financial Statements.

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

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 'UK MAR' (the EU Market Abuse Regulation as amended by the Market Abuse Exit Regulations 2020) whereby Directors of the Company require approval to deal in the Company's shares (see https://www.fca.org.uk/markets/market-abuse/regulation).

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 0.5 pence (2021: 3.0 pence) per ordinary share. An interim dividend of 1.5 pence per share was paid during the year (2021: 1.5 pence) so the total dividend for the year ended 30 September 2022 is 2.0 pence per share (2021: 4.5 pence). Titon operates a dividend reinvestment programme for shareholders details of which are available from our registrars, Link Group.

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 remains a feature of our market over the coming years. Further details on our research and development activities can be found in the Strategic Report.

Investment in research and development amounted to £629,000 during the year (2021: £509,000). Development expenditure capitalised in 2022 amounted to an additional £130,000 (2021: £166,000). See note 11 of the Financial Statements. **Financial risk management**

The Directors assess the financial risks facing the business and spend appropriate time considering them. The Group has a system of risk management, which identifies these items and seeks ways of mitigating such risks as far as is possible. The Report on Risk Management set out on pages 23 to 26 includes information on financial risk and also see note 21 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 consultation with employees, 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. All of these policies are included in the Employee Handbook which is issued to every employee. See the Strategic Report for more details.

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

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

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

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

Disabled employees

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

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

Capital management

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

The Group considers its capital to comprise ordinary share capital, share premium, the capital redemption reserve and accumulated retained earnings (see 'Consolidated Statement of Changes in Equity' on page 53). The translation reserve is not considered as capital. In order to maintain or adjust its working capital at an acceptable level and to meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

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

Environmental issues

An explanation of how the Group deals with its environmental responsibilities is included within the Strategic Report, under the heading Environmental Social and Governance.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group and Company financial statements in accordance with International

Financial Reporting Standards and International Financial Reporting Standards adopted in the United Kingdom ("UK adopted IFRS"). 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, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business; and
- Prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.
- Prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Directors' responsibilities (continued)

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

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website, which can be found at www.titon.com/uk/investors/ 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 are also responsible for disclosing additional information under Rule 26 of the AIM Rules, which is available at www.titon.com/uk/investors/. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 issued by the IASB and adopted by the UK and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

The Directors at the time of approving the Directors' Report are listed on page 35. 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 25 January 2023 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. At 30 September 2022 and 25 January 2023 the Company held nil shares in treasury. The Company may use this power in the future depending on market conditions and the financial position of the Company.

Events after the reporting date

There have been no events after the reporting 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 21 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 financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered all of the above factors, including the principal risks set out on pages 23 to 26. Under the worst-case scenario considered, which is severe and considered highly unlikely, the Group remains liquid for a period of 12 months from the date of reporting and the Directors therefore believe, at the time of approving the financial statements that the Group is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

The financial position remains robust with cash of £1.7m available to the Group and no debt and therefore no bank covenants in place. Our base case scenario has been prepared using forecasts from each of our operating companies, with each considering both the challenges and opportunities they are facing because of various market forecasts and also supply chain challenges. Due to the strength of the Group's balance sheet and market outlook, the Directors believe there is no material uncertainty around going concern. To this end a reverse stress test scenario has also been modelled, with the most extreme conditions being considered. 50% of budgeted revenue was removed for all operating companies within the Group from 1 April 2023 to 31 January 2024 with all overheads being reduced accordingly. All discretionary expenditure was reduced or removed such as capital expenditure and dividends. The result of this scenario is that we remain cash positive within 12 months of the signing date. This extreme scenario excludes all other resources we would have at our disposal as means of raising further cash, such as:

- the Group owns the freehold interest in our Haverhill site which had a fair value of £5.4 million in September 2022. This could be used as collateral to borrow funds from our bank in the form of a mortgage;
- the Group has significant fixed assets that would have a second-hand market value that could be realised;
- a rights issue could be made;
- the Group has a large stock balance that could be sold on if there was reduced production;
- salary costs could be reduced by virtue of either restructuring or through pay reductions;

- BTS, our associate Company, has £3.4m of cash which could be paid to shareholders in the form of a dividend.

Annual General Meeting

The Annual General Meeting of Titon Holdings Plc ("the Company") will be held at the Company's premises at Falconer Road, Haverhill, CB9 7XU on 22 March 2023 commencing at 10.00 a.m. A Notice convening the Annual General Meeting of the Company for the year ended 30 September 2022 may be found on page 86 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 2022.
The Directors' Report was approved by the Board on 25 January 2023 and signed by order of the Board.

Resolution 2 - to declare a final dividend

The Directors recommend a final dividend of 0.5 pence per ordinary share. Subject to approval by shareholders, the final dividend will be paid on 31 March 2023 to shareholders on the register on 10 February 2023.

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

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

Resolution 4 - to re-elect Mr Keith Ritchie as a Director

The Deputy Chair confirms that following performance evaluation Mr Ritchie continues to be effective and demonstrates commitment in his role.

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

Resolution 6 - to re-elect Mr Paul Hooper as a Director

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

Resolution 7 - to re-elect Mr Jeff Ward as a Director

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

Resolution 8 - to re-elect Miss Alexandra French as a Director

The Chair confirms that following performance evaluation Miss French continues to be effective and demonstrates commitment in her role.

Resolution 9 - to re-elect Ms Carolyn Isom as a Director

The Chair confirms that following performance evaluation Ms Isom continues to be effective and demonstrates commitment in her role.

Resolution 10 - to re-appoint MacIntyre Hudson LLP as auditors
This resolution proposes that MacIntyre Hudson LLP should be re-appointed as the Company's Auditors and authorises the Directors to determine their remuneration.

Resolution 11 - to approve the Directors' Remuneration Report

Resolution 11 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 33 to 36 and also to approve a new Executive Management Bonus Structure, details of which are contained in the Directors' Remuneration Report.

Resolution 12 - 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 23 February 2022, will expire at the forthcoming Annual General Meeting.

Resolution 12 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 £270,000, representing approximately 24% of the nominal value of the ordinary shares in issue on 25 January 2023.

The authority conferred by the resolution will expire on 22 June 2024 or, if sooner, at the 2024 Annual General Meeting.

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

Resolution 13 - 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 23 February 2022 will expire at the forthcoming Annual General Meeting. Accordingly, Resolution 13 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 £160,000 (representing approximately 14.3% of the nominal value of the ordinary shares in issue on 25 January 2023). The power conferred by this Resolution will expire on 22 June 2024 or, if sooner, at the 2024 Annual General Meeting.

In addition, there is one item of special business, being Resolution 14, as listed below.

Resolution 14 - Company's authority to purchase its own shares

Resolution 14 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 1,121,875 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 25 January 2023. 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 22 June 2024 or, if sooner, at the 2024 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. The Company does not currently hold any shares in treasury.

As at 25 January 2023 there were options outstanding over 437,000 ordinary shares which, if exercised at that date, would have represented 3.90% of the Company's issued ordinary share capital. If the authority given by Resolution 14 was to be fully used, these would then represent 4.33% 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 25 January 2023 and signed on its behalf by:

C V Isom

Company Secretary

Directors' Remuneration Report

Statement from the Chair of the Committee

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2022.

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 linked to the amount by which the Group's results exceeds budget. For this period no payments were made in respect of performance related elements.

Details of the Directors' Remuneration Policy are shown on the Group's website in the Corporate Governance section. The Directors' Remuneration Policy was approved in its entirety at the 2018 AGM. An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 22 March 2023, to receive and adopt the Directors' Remuneration Report and to approve a new bonus arrangement for Titon Holdings executive management that includes financial performance-based targets as well as individual performance.

The new Executive Management bonus structure has a base level bonus of 35% for the Chief Executive and 25% for the Chief Financial Officer of base salary. It consists of four components, the majority of which is based on Group PBT with smaller contributions from Group Revenue, Group Quick Ratio and personal objective performance. Personal objectives are directly linked to the business imperatives that will drive the business back to profit. The maximum possible bonus payable where targets are significantly exceeded is 63% and 45% of base salary for the Chief Executive and Chief Financial Officer respectively.

The Directors' interests in the ordinary share capital of the Company at the year-end are reported below on page 35.

Remuneration Committee

The Committee presently consists of Mr J Ward, Mr G P Hooper, Mr N Howlett, all Non-executive Directors and Mr K Ritchie, Non-executive Chair. 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.

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

	2022	2021	Percentage change
	£'000	£'000	%
Directors' remuneration	**831**	901	(10%)
Other employee remuneration	**6,179**	5,794	7%
Dividend payments to shareholders	**502**	390	28%

Other employee remuneration includes grant income relating to the Coronavirus Job Retention Scheme of £nil (2021: £0.008m).

Directors' remuneration

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

	Year ended 30 September	Salary and fees (a) (k)	Benefits in kind	Short term performance related remuneration (b)	Pension benefits	Total
Executive Directors:		£'000	£'000	£'000	£'000	£'000
T N Anderson	**2022**	**97**	**-**	**-**	**8**	**105**
	2021	99	-	26	8	133
T D Gearey (c)	**2022**	**84**	**8**	**-**	**37**	**129**
	2021	58	8	20	28	114
K A Ritchie	**2022**	**160**	**7**	**-**	**-**	**167**
	2021	157	13	41	-	211
D A Ruffell (d)	**2022**	**-**	**-**	**-**	**-**	**-**
	2021	170	13	**-**	10	193
M J Norris (e)	**2022**	**61**	**-**	**-**	**5**	**66**
	2021	37	-	10	3	50
C V Isom (f)	**2022**	**112**	**-**	**-**	**15**	**127**
	2021	-	-	-	-	-
A C French (g)	**2022**	**76**	**-**	-	**5**	**81**

	2021	-	-	-	-	-
Non-executive Directors:						
J N Anderson (h)	**2022**	**21**	**-**	**-**	**-**	**21**
	2021	37	-	-	-	37
N C Howlett	**2022**	**63**	-	**-**	**5**	**68**
	2021	66	-	-	5	71
K Sargeant (i)	**2022**	**13**	**-**	**-**	**-**	**13**
	2021	46	-	-	-	46
B Ratzke (i)	**2022**	**13**	**-**	**-**	**-**	**13**
	2021	46	-	-	-	46
G P Hooper (j)	**2022**	**20**	**-**	**-**	**-**	**20**
	2021	-	-	-	-	-
J Ward (j)	**2022**	**20**	**-**	**-**	**-**	**20**
	2021	-	-	-	-	-
Totals	**2022**	**740**	**16**	**-**	**75**	**831**
	2021	716	34	97	54	901

(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 not due for this period to Executive Directors.

(c) T D Gearey was a beneficiary of an agreement with the Company relating to his departure from the Company on 6 April 2022 entitling him to a payment of £30,000 which is included in salary above as well as payment in lieu of notice amounting to £46,000.

(d) D A Ruffell was a beneficiary of an agreement with the Company relating to his departure from the Company on 30 April 2021 entitling him to a payment of £90,000 which was included in salary above.

(e) M J Norris joined the Board on 12 July 2021 and left the Board on 8 February 2022.

(f) C V Isom joined the Board on 22 December 2021.

(g) A C French joined the Board on 3 May 2022.

(h) J N Anderson left the Board on 31 March 2022.

(i) B Ratzke and K Sargeant both left the Board on 7 December 2021.

(j) G P Hooper and J Ward both joined the Board on 1 April 2022.

(k) The remuneration package of each Executive Director includes non-cash benefits, which for K Ritchie, D A Ruffell, T D Gearey, T N Anderson and C V Isom also included the provision of a company car. The aggregate gains made by Directors on the exercise of share options during 2022 were £11,220 (2021: £33,200). It also includes any discretionary amounts payable, as agreed by the Remuneration Committee, where applicable.

Directors and their interests in shares

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

		30 September 2022 Ordinary shares of 10p each	30 September 2021 Ordinary shares of 10p each
K A Ritchie*	Non-executive Chair	**1,031,381**	981,381
D A Ruffell*	Chief Executive Officer (left 30 April 2021)	**-**	178,500
M J Norris	Chief Executive Officer (left 8 February 2022)	**-**	-
A C French	Chief Executive Officer (joined 3 May 2022)	**12,738**	-
C V Isom	Chief Financial Officer (joined 22 December 2021)	**-**	-
J N Anderson*	(left 31 March 2022)	**-**	1,737,802
T N Anderson*	Deputy Chair	**693,750**	693,750
T D Gearey	I.T. Director (left 6 April 2022)	**-**	20,500
N C Howlett*	Non-executive Director	**63,500**	38,500
K Sargeant	Non-executive Director (left 7 December 2021)	**-**	10,000
B Ratzke	Non-executive Director (left 7 December 2021)	**-**	10,000
G P Hooper	Non-executive Director (joined 1 April 2022)	**35,498**	-
J Ward	Non-executive Director (joined 1 April 2022)	**-**	-

There were no other changes in Directors' beneficial shareholdings between 30 September 2022 and 25 January 2023.

* Includes spouses' holdings

Share options

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

		Exercise price per share	At 1 October 2021	Granted during the year	Exercised during the year	Lapsed during the year	**At 30 September 2022**
			Number	Number	Number	Number	**Number**
T N Anderson	(a)	58.0p	25,000	-	-	-	**25,000**
T D Gearey	(b)	156.5p	18,000	-	-	18,000	**-**
N C Howlett	(a)	58.0p	25,000	-	25,000	-	**-**
K A Ritchie	(a)	58.0p	50,000	-	50,000	-	**-**
M J Norris	(c)	138.5p	150,000	-	-	150,000	**-**
C V Isom	(c)	138.5p	50,000	-	-	-	**50,000**
A C French	(d)	95.0p	-	150,000	-	-	**150,000**

No other directors had 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 2022 and 25 January 2023.

Share options

Share options are exercisable between the following dates:

(a)	15 January 2017	and	15 January 2024
(b)	30 January 2021	and	30 January 2028
(c)	15 July 2024	and	15 July 2031
(d)	15 June 2025	and	15 June 2032

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 2022 the market price of the Company's shares was 81p. The range during the year was 75p to 115p.

Approval

The Directors' Remuneration Report was approved by the Remuneration Committee on 25 January 2023 and signed on its behalf by:

J Ward

Remuneration Committee Chair

Corporate Governance Report

Chair's Introductory Statement

As noted in our ESG report we present the Corporate Governance Report for the last financial year. As I have said in the past, we take our corporate governance responsibilities very seriously. We continue to apply the Quoted Companies Alliance Corporate Governance Code ("QCA Code") as this fits more naturally with our listing on the AIM Market. The QCA Code is available from the QCA and it involves us following ten general principles and ensuring that a number of minimum disclosure requirements are made in the Annual Report or on the Company's website, www.titon.com/uk/investors/. The website also contains more details of the governance disclosures. It is then up to us to determine how the ten principles will be applied.

As shareholders will be aware a number of Board changes have taken place during the year as part of a process to strengthen the Board and to allow the Board to focus on delivering the Group's strategy and financial performance while ensuring that operational matters are managed at the level of the main subsidiary.

K A Ritchie
Chair

Compliance with QCA Code

The Board is accountable to the Company's shareholders for good corporate governance and the Company's website sets out how the 10 principles identified in the QCA 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.

I am confident that the goals and strategy that we have set for our business have been followed during the year under review. As noted above we have certainly had some difficult times during the year but we have continued to treat our employees fairly, to invest in research and development and to communicate openly and honestly with our shareholders, to highlight three of our specific goals.

The Board seeks to instil a healthy corporate culture in all of its dealings with its stakeholders and believes that Titon is regarded by those stakeholders in a positive light and will meet its obligations in a fair and transparent way. The Board acknowledges that there have been some challenges in meeting customer demands during the year due to supply chain issues and the implementation of the new ERP system. However, a considerable amount of senior management time has been spent on trying to resolve these issues and plans to catch-up with demand are now bearing fruit.

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.

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 Finance Manager and are reviewed by the Chief Financial Officer and 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.

Composition and operation of the Board of Directors

As at 30 September 2022 the Board consisted of the Non-executive Chair, the Chief Executive, the Chief Financial Officer, and four Non-executive Directors.

The Board as a whole comprises a wealth of skills and experience from the wide range of activities undertaken by its individual members, as follows:

Keith Ritchie joined the Company in 2012, having had a 25-year career in the City of London. He is a member of the Institute of Chartered Accountants in England and Wales and has extensive experience of finance, legal, tax and commercial matters. He is also a Non-executive director of Beama Ltd, the trade association for the electro-technical manufacturers association and is Chair of the Ventilation Group, within Beama Ltd. As a result of these different activities, he continues to utilise the skills gained over his working career. Keith became Non-executive Chair of the Board on 1 October 2022 and has a service contract which terminates at the 2023 Annual General Meeting unless he is re-elected;

Alexandra French joined the Board on 3 May 2022 as Chief Executive Officer. She was previously at Johnson Matthey, where she spent 25 years working in a number of commercial, operational, technical, sales and marketing roles. Alexandra graduated from the University of Cambridge with a degree in Natural Sciences;

Tyson Anderson has been with the Company since 1993, when he joined the Marketing team and was elected to the board of Titon Hardware Limited in 1999. Tyson joined the Board on 1 January 2004 as Marketing Director, was appointed Sales & Marketing Director on 1 February 2007 and now acts as Business Projects Director in Titon Hardware Limited. Tyson was appointed as a Non-executive Director and Deputy Chair in April 2022. In his role as Deputy Chair he has a service contract which terminates at the 2023 Annual General Meeting unless he is re-elected.

Carolyn Isom joined Titon in December 2019 as Finance Director of Titon Hardware and was appointed to the Titon Holdings Board as CFO in December 2021. She is ACCA qualified and has worked for a number of companies in the construction sector.

Nicholas Howlett joined Titon in 1991 and has held a number of positions within the Group since then. He was appointed to the Board in 2002 and became a Non-executive Director with effect from 1 October 2017. He has a service contract which terminates at the 2023 Annual General Meeting unless he is re-elected. Nick has carried out many roles for Titon, including Production Director at the Haverhill factory, head of Research & Development and then Managing Director of Ventilation Systems in the UK and Europe. Nick works closely with UK trade associations involved in the ventilation industry and on the impact of building regulations and other Government laws both for Titon and the wider industry;

Jeff Ward joined the Board of Titon on 1 April 2022. Jeff is currently CEO of Guardian Fall, one of the largest independent height safety companies in the world. He was previously CEO of Centurion Safety Products from

December 2015 until July 2020 and before then held a number of leadership roles in hardware and safety businesses where he was responsible for a range of activities, including sales, marketing, supply chain and strategy. Jeff holds an MBA from Warwick Business School and also serves as a Director of the British Safety Industry Federation. Jeff has a service contract which terminates at the 2023 Annual General Meeting unless he is re-elected;

Paul Hooper joined the Board of Titon on 1 April 2022. Paul is currently Chief Executive of The Alumasc Group plc, a position he has held since April 2003. Alumasc is a UK-based supplier of sustainable building products and solutions. He joined Alumasc in April 2001 as Group Managing Director. His earlier career included a first Managing Director role with BTR plc in 1992. He subsequently joined Williams Holdings plc in Special Operations, implementing acquisitions in Europe and North America, prior to joining Rexam PLC as a Divisional Managing Director with responsibility for operations in Europe and South East Asia. Paul holds an MBA from Cranfield School of Management. Paul has a service contract which terminates at the 2023 Annual General Meeting unless he is re-elected;

All Executive Directors are subject to annual appraisals of their performance and membership of relevant board committees, as appropriate, during the financial year. This takes the form of a review of the targets and objectives for the period, a meeting with the appraiser and the setting of targets and objectives for the current year. It also includes a process whereby a failure to meet the targets is discussed and changes are agreed to improve performance. A continuing failure to meet targets or performance could lead ultimately to dismissal. The Non-executive Directors also provide feedback and appraisal of the Executive Directors on an ad hoc basis, and this is included in the appraisals of the relevant individuals.

The Non-executive Chair has a range of responsibilities to perform including, inter alia, the proper functioning of the Board of Directors and over-seeing the strategic development of the Company and Group. The Chief Executive has a specific range of responsibilities including setting the strategic development of the Group, the day-to-day management of the Group and implementing the strategy agreed by the Board. The five current Non-executive Directors provide a range of skills and wide experience to the Group alongside the necessary independence, as required under principle 5, as follows:

1. Mr N C Howlett is deemed to be independent for the purposes of the Code despite his previous service and role as an executive director of the Company due to his independence of character and judgment;
2. Mr T N Anderson is not deemed to be independent as he is a significant shareholder and has an existing service contract with a Group subsidiary;
3. Mr G P Hooper is deemed to be independent for the purposes of the Code as he has no previous links with the Company;
4. Mr J Ward is deemed to be independent for the purposes of the Code as he has no previous links with the Company.
5. Mr K A Ritchie is not deemed to be independent due to his previous service and role as an executive director of the Company and his significant shareholding.

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. The Executive Directors are involved with day-to-day matters arising and the size of the Group allows the Board to have rapid access to any issues which arise in dealings with stakeholders.

Scheduled Board meetings in 2022 took place monthly 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. All directors commit sufficient time to the Group to discharge their responsibilities: the executive directors on a full-time basis, the Non-executive Directors, as required by the needs of the business.

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	**10**	**1**	**3**	**2**
K A Ritchie	10	1	3	2
M J Norris	6	-	-	-
T N Anderson	10	-	-	-
T D Gearey	6	-	-	-
C V Isom	10	-	3	-
A C French	4	-	-	-
N C Howlett	10	1	-	2
K Sargeant	2	-	-	-
J N Anderson	6	-	-	-
B Ratzke	2	-	-	-
G P Hooper	4	-	2	-
J Ward	3	-	-	-

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 Company 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 Company's Articles of Association, 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. It is the Company's practice that all of the Non-executive Directors will seek re-election at each Annual General Meeting.

All of the Directors retire at the next AGM and being eligible, offer themselves for re-election.

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.

The Remuneration Committee

The Remuneration Committee Report is set out on pages 33 to 36. 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.

Nominations Committee

The Nominations Committee is responsible for proposing candidates as Directors of Titon Holdings Plc for endorsement by the Board. The selection of suitable candidates will be based on the suitability of the person for the position regardless of age, ethnicity or gender. Candidates may be either internal or external and executive search consultants may be used in the process. The Nominations Committee met a number of times during the year to recruit the new Non-executive Directors and the new Chief Executive. The Nominations Committee at 30 September 2022 comprised Mr N C Howlett, Mr J Ward and Mr G P Hooper.

Communications with shareholders

The Board recognises the importance of communications with shareholders. The Strategic Report on pages 8 to 26 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 main contact with shareholders is through the Chair or Chief Executive.
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.

The Corporate Governance Report was approved by the Board on 25 January 2023 and signed on its behalf by:

K A Ritchie
Chair

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 comprised Mr K A Ritchie ACA who has financial reporting experience and Mr G P Hooper, who has extensive accounting experience from his career and position as Chief Executive of The Alumasc Group Plc. I confirm that the Titon Audit Committee continues to have competence relevant to the sector in which the Company operates.

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

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

Review of financial statements and risks identified
Financial statements issued by the Company need to be fair, balanced, and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Audit Committee has advised the Board that, in its opinion, the Annual Report and Financial Statements are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Company's unaudited interim results are also reviewed by the Audit Committee prior to their publication.
The Audit Committee assesses annually whether it is appropriate to prepare the Group's financial statements on a going concern basis and makes its recommendation to the Board. The Board's conclusions are set out in the Directors' Report. As noted in the Strategic Report and the Directors' Report a considerable amount of work has been carried out to assess the Group's financial position as a result of the pandemic. The Audit Committee has been fully involved in all of the financial forecasting that has been performed and the cash management steps which have been taken and has made a recommendation to the Board that the Group should continue to prepare the financial statements on a going concern basis.
In planning its own work, and reviewing the audit plan of the Auditors, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Group's financial statements.
The Committee considers that the timing of revenue recognition is a significant area of risk to accurate financial reporting and ensures that necessary credit note provisions and warranty provisions are made. In relation to activities in South Korea, revenues are only recognised once the third-party customer has accepted the successful installation of either the first fix or the second fix products into buildings rather than the delivery of such product from our factory.
The carrying value of the Group's assets is an area where the Committee places great emphasis. In particular, calculating the carrying value for the Group's inventory is a vital factor as the Group has a wide range of product lines that may fluctuate regularly in terms of their sales volumes. Consequently, every product line is assessed at the year-end to ensure that accurate provisions for obsolescence are made.
A significant risk considered by the Committee is the Group's investment in its South Korean business and in particular the accuracy of accounting information. The Committee manage this risk through senior management making regular trips to South Korea combined with the receipt of detailed monthly management accounts from South Korea. As noted above travel to South Korea was opened up during 2022, before then regular video calls with senior managers were held instead.

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 28 and 29, and those of the Auditors are detailed in the Independent Auditor's Report on page 48.

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 23 to 26) which is regularly reviewed by the Board and which identifies the likelihood and severity of the impact of such risks and the controls in place to mitigate the probability of such risks occurring.

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

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

- the principal aspects of the Group's internal control processes used in preparing the Group's consolidated accounts include second reviews of consolidation workings and Board review of the composition of the Group's financial information.

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

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

External audit process

During the year BDO LLP decided to resign as Group Auditors. The Audit Committee met to discuss this situation and agreed to recommend the appointment of MacIntyre Hudson LLP for the current year. The Audit Committee meets at least twice a year with the Auditor, who provides a planning report in advance of the annual audit and a report on the annual audit. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. No significant deficiencies were noted by the Auditor in respect of the period ended 30 September 2022. The Committee also discussed the basis of preparation of the going concern opinion and the key audit matters with the Auditor.

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

Auditor assessment and independence

The Group's external auditor is MacIntyre Hudson LLP (MHA), who replaced BDO LLP during the period.

The Audit Committee reviewed MHA's independence policies and procedures including quality assurance procedures and it was confirmed that those policies and procedures were fit for purpose. Accordingly, the Audit Committee recommends that MHA should be reappointed as the Group's auditor for the next financial year and a resolution to that effect will be proposed at the 2023 AGM.

The fees for audit services provided by MHA for 2022 were £143,000 (2021: £116,000). The Audit Committee discussed the non-audit services provided by MHA during the year. The cost of non-audit services provided by the Auditor for the financial year ended 30 September 2022 was £1,000 (2021: £1,450).

K A Ritchie
Audit Committee Chair
25 January 2023

Independent Auditor's Report

To the Members of Titon Holdings Plc

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Titon Holdings Plc. For the purposes of the table that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of Titon Holdings Plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Titon Holdings Plc. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements for Titon Holdings Plc, for the year ended 30 September 2022, which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the company statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the Group and Company statement of cash flows; and
- the notes to the consolidated financial statements 1 to 26.

The financial reporting framework that has been applied in the preparation of the group and parent company's financial statements is applicable law and United Kingdom adopted International Financial Reporting Standards (UK Adopted IFRS).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared properly prepared in accordance with International Financial Reporting Standards and Interpretations (collectively "IFRSs"") as adopted in the United Kingdom ("UK-adopted IFRS"); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's and parent Company's operations and specifically its business model.
- The evaluation of how those risks might impact on the Group's available financial resources.
- Review of the mathematical accuracy of the cashflow forecast model prepared by management and corroboration of key data inputs to supporting documentation for consistency of assumptions used with our knowledge obtained during the audit.
- Challenging management for reasonableness of assumptions in respect of the timing and value of cash receipts and payments included in the cash flow model.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Holding discussions with management regarding future financing plans, corroborating these where necessary and assessing the impact on the cash flow forecast.
- Evaluating the accuracy of historical forecasts against actual results to ascertain the accuracy of management's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	The overall materiality that we used for the Group financial statements was

Materiality	The overall materiality that we used for the Group financial statements was £221,000 (2021: £250,000), which was determined as 1% of turnover (2021: 1.1% of turnover). The overall materiality for the Parent Company financial statements was £138,000 (2021: £150,000), which was determined as 2% of net assets (2021: 60 of group materiality). Performance materiality was set at 60% (2021: 60%) of materiality for both the Group and Parent.
Scope	Our Group audit was scoped by obtaining an understanding of the Group including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. The Group consists of five reporting components, four of which were considered to be significant components: Titon Holdings Plc, Titon Hardware Ltd, Titon Korea Co. Ltd and Browntech Sales Co. The significant components were subjected to full scope audits for the purposes of our audit report on the Group financial statements. The other component, Titon Inc. is not deemed significant and was subject to specific audit procedures for the purposes of our audit report on the Group financial statements. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole, and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work, with Titon Korea Co, Ltd and Browntech Sales Co. being audited by BTI Korea acting on specific instructions.
Key audit matters	In addition to the matters described in the Basis for opinion section, we have determined the matters described below to be the key audit matters at Group level to be communicated in our report: • Inventory valuation • Management override of controls • Revenue recognition
First-year audit transition	We developed a detailed audit transition plan, designed to deliver an effective transition from the Group's predecessor auditor, BDO LLP ("BDO"). Our audit planning and transition commenced on 25 August 2022, following our appointment. Our transition activities were performed for components located in the UK and South Korea, which included (but were not limited to) reviewing the Audit Committee meeting minutes and reviewing BDO's 2021 audit working papers. Our transition focused on obtaining an understanding of the Group's system of internal control, evaluating the Group's accounting policies and areas of accounting judgement, and meeting with management across all major divisions.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, 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. We have determined the matters described below to be the Key Audit Matters to be communicated in our report.

Inventory valuation including provisions	
Key audit matter description	The inventory held by the Group is a key material area to the financial statements and accounts for a large amount of the Group's current assets. Due to the nature of the Group's operations, the inventory balance is inherently linked to both the purchases and the sales cycles. The Group uses a standard costing model to determine the value of inventory. This carries a risk of material misstatement due to the use of key management judgements in respect of overhead and labour recovery rates. We consider inventory to be a key audit matter due to its significant importance to the Group's operations and its linkage to multiple areas of the financial statements.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • We have attended the year end stock count including sample testing of stock items recorded on stock count sheets to physical stock location in the warehouses and vice versa and physically inspecting inventory held for indication of obsolescence or impairment. • We have reviewed the inventory listing and stock physically present in the warehouses for any slow-moving or obsolete inventory items which require write off or providing for and then also reviewed and considered the appropriateness of the provision made by management, as well as reperforming the calculations made by management. • We have performed substantive testing for a sample of inventory items held at the year end to the original purchase invoice and also to post year end sales to ensure inventory is held at the lower of cost and net realisable value in the financial statements. • We have obtained and reviewed managements calculations and key judgements regarding the standard costing model used and assessed the appropriateness of the costs included. We have also sample tested payroll and overhead costs back to source invoices and documentation to confirm the accuracy of the figures used. • We have reviewed the audit working papers completed by the component auditor to ensure that the work performed on overseas subsidiaries sufficiently addresses the risk at group level.
Key observations	Based on the outcome of our procedures we identified no material issues with the valuation of inventory or the provisions for slow moving, damaged or obsolete goods.

Management override of controls

Key audit matter description	In accordance with ISA 240 (UK) management override is presumed to be a significant risk. The ability to override controls puts management in a unique position to perpetrate or conceal the effects of fraud. This may take a number of forms such as falsifying accounting entries in order to conceal misappropriation of assets or other manipulation of accounting entries intended to result in the production of financial statements which give a misleading view of the entity's financial position or performance.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • We evaluated the design and implementation of key controls, in particular high-level management review controls. • We evaluated whether the judgements and decisions made in determining the accounting estimates included in the financial statements, even if they are individually reasonable, indicated a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. • We utilised our data analytics software to identify journals deemed to carry the highest risk or fraud or error. These journals were then queried and the business rationale confirmed as appropriate. • We have tested the consolidation workings for mathematical accuracy and reviewed the consolidation workings and journals to confirm their appropriateness. • We have also reviewed the journals and processes used and applied with regard to the change in accounting system which occurred during the year.
Key observations	No issues have been identified from the audit procedures performed over management override of controls.

Revenue recognition	
Key audit matter description	Revenue is one of the most prominent key performance indicators for the business. There is a risk that revenue is not recognised in line with IFRS15 in the appropriate period with regards to the cut-off of transactions around the year-end. This is a heightened risk in Korea where the revenue is recognised over time due to the requirements to perform a second fix on components fitted, therefore resulting in a deferral of revenue at the year end.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • We have completed a walkthrough of each of the key revenue streams from start to finish, documenting details of the current internal processes, systems and controls to better understand them. • We have completed cut-off testing by selecting a sample of sales transactions across the various streams either side of the year end to ensure the revenue has been accounted for in the correct period. • Substantive testing has been carried out across the different income streams by picking samples from finance system and tracing to the appropriate supporting documentation. • We have evaluated the Group's revenue recognition in the context of the 5-step approach as set out within IFRS15. • We have reviewed the audit working papers completed by the component auditors regarding the method of revenue recognition, its compliance with the principles of IFRS15 and consideration of the adequacy of the work performed.
Key observations	We are satisfied, based on the results of the testing performed, that the recognition criteria employed by management is materially consistent with the requirements of IFRS15. It is noted that adjustments are made at group level to ensure income is correctly recognised in light of IFRS15, these consolidation adjustments have been confirmed as accurate.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent Company financial statements**
Overall materiality	£221,000 (2021: £250,000)	£138,000 (2021: £150,000)
How we determined it	1% of turnover (2021: 1.1% of turnover)	2% of net assets (2021: 60% of group materiality)
Rationale for the benchmark applied	We consider turnover to be the main measure by which the users of the financial statements assess the financial performance and success of the Group and is a Key Performance Indicator identified by management. Therefore, we consider this to be the most appropriate benchmark for Group materiality.	The Parent Company is largely a holding company incurring limited costs and therefore net assets has been considered the most appropriate benchmark for materiality.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group and the Parent Company performance materiality was set at 60% (2021: 60%) of Group and Parent Company materiality respectively for the 2022 audit being £132,600 for the Group and £82,800 for the Parent Company. In determining performance materiality, we considered our understanding of the entity, including the quality of the control environment and whether we were able to rely on controls, and the nature, volume and size of uncorrected misstatements in the previous period.

We agreed with management that we would report to them all audit differences in excess of £11,050 (2021: £5,000) for the Group and £6,850 (2021: £5,000) for the Company as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to management on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview of the scope of our audit

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 5 reporting components of the group, 2 of which are based in the UK and audited by the Group audit team, being Titon Holdings Plc and Titon Hardware Ltd, 2 of which are based in South Korea and audited by BTI Korea being Titon Korea Co. Ltd and Browntech Sales Co. and the other being Titon Inc. based in the USA.

The audit procedures undertaken covered the following percentage of the group benchmarks below:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	4	99%	100%	91%
Specific procedures	1	1%	0%	9%
Total	5	100%	100%	100%

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement, as set out on pages 28 to 29, 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.

no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.

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.
www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Andrew Moyser FCA FCCA (Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson, Statutory Auditor
London
25 January 2023

Consolidated Income Statement

for the year ended 30 September 2022

	Note	**2022**	2021
		£'000	£'000
Revenue	3	**22,087**	23,412
Cost of sales		**(16,270)**	(16,070)
Grant Income	4	**-**	8
Gross profit		**5,817**	7,350
Distribution costs		**(1,393)**	(1,144)
Administrative expenses		**(4,586)**	(4,521)
Administrative expenses - exceptional	26	**(349)**	-
Research and development expenses		**(629)**	(582)
Other income		**21**	16
Operating (loss) / profit		**(1,119)**	1,119
Finance income	5	**9**	-
Finance expense	5	**(16)**	(16)
Share of post-tax (loss) / profit from associate	13	**173**	(28)
(Loss) / profit before tax	6	**(953)**	1,075
Income tax credit / (expense)	7	**410**	(72)
(Loss) / profit after income tax		**(543)**	1,003
Attributable to:			
Equity holders of the parent		**(436)**	1,028
Non-controlling interest		**(107)**	(25)
(Loss) / profit for the year		**(543)**	1,003
(Loss) / earnings per share attributed to equity holders of the parent:			
Basic	9	(3.89p)	9.24p

Diluted	9	(3.89p)	9.18p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2022

	2022	2021
	£'000	£'000
(Loss) / profit for the year	**(543)**	1,003
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	**112**	(284)
Total comprehensive income for the year	**(431)**	719
Attributable to:		
Equity holders of the parent	**(333)**	793
Non-controlling interest	**(98)**	(74)
	(431)	719

The notes on pages 56 to 84 form part of these financial statements.

Consolidated Statement of Financial Position

At 30 September 2022

	Note	2022 £'000	2021 £'000
Assets			
Property, plant and equipment	10	**3,321**	3,476
Right-of-use assets	10	**553**	546
Intangible assets	11	**915**	925
Investments in associates	13	**2,909**	2,681
Deferred tax assets	16	**697**	278
Total non-current assets		**8,395**	7,906
Inventories	14	**6,571**	5,042
Trade and other receivables	15	**4,920**	4,224
Cash and cash equivalents	20	**1,726**	4,794
Total current assets		**13,217**	14,060
Total Assets		**21,612**	21,966
Liabilities			
Lease liabilities	18	**378**	402
Total non-current liabilities		**378**	402
Trade and other payables	17	**5,051**	4,554
Lease liabilities	18	**232**	193
Total current liabilities		**5,283**	4,747
Total Liabilities		**5,661**	5,149
Equity			
Share capital	19	**1,122**	1,119
Share premium	19	**1,091**	1,077
Capital redemption reserve		**56**	56
Treasury shares	19	**-**	(27)
Foreign exchange reserve		**198**	96
Retained earnings		**13,179**	14,093
Total Equity attributable to equity holders of the parent		**15,646**	16,414
Non-controlling Interest		**305**	403
Total Equity		**15,951**	16,817
Total Liabilities and Equity		**21,612**	21,966

The notes on pages 56 to 84 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 25 January 2023 and signed on its behalf by:

K A Ritchie
Chair

Company Statement of Financial Position

at 30 September 2022

Company No. 01604952

	Note	2022 £'000	2021 £'000
Assets			
Property and motor vehicles	10	**1,773**	1,836
Investments in subsidiaries	12	**554**	554
Investments in associates	13	**225**	225
Deferred tax assets	16	**4**	-

Total non-current assets		**2,556**	2,615
Trade and other receivables	15	**4,769**	3,818
Cash and cash equivalents	20	**4**	1,324
Total current assets		**4,773**	5,142
Total Assets		**7,329**	7,757
Liabilities			
Deferred tax	16	**-**	274
Total non-current liabilities		**-**	274
Trade and other payables	17	**135**	168
Total current liabilities		**135**	168
Total Liabilities		**135**	442
Equity			
Share capital	19	**1,122**	1,119
Share premium account	19	**1,091**	1,077
Capital redemption reserve		**56**	56
Treasury shares	19	**-**	(27)
Retained earnings		**4,925**	5,090
Total Equity		**7,194**	7,315
Total Liabilities and Equity		**7,329**	7,757

As permitted by section 408(3) of the Companies Act 2006 the Company has elected not to present its own Statement of Profit and Loss for the year. Titon Holdings Plc reported a profit before tax for the financial year ended 30 September 2022 of £35,000 (2021: £243,000). The notes on pages 56 to 84 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 25 January 2023 and signed on its behalf by:

K A Ritchie

Chair

Consolidated Statement of Changes in Equity

at 30 September 2022

	Share Capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Treasury shares	Retained earnings	**Total**	Non-controlling interest	**Total Equity**
	£'000	£'000	£'000	£'000	£000	£'000	**£'000**	£'000	**£'000**
At 30 September 2020	**1,113**	**1,049**	**56**	**327**	**(27)**	**13,425**	**15,943**	**868**	**16,811**
Translation differences on overseas operations	-	-	-	(231)	-	(4)	**(235)**	(49)	**(284)**
Profit for the year	-	-	-	-	-	1,028	**1,028**	(25)	**1,003**
Total Comprehensive Income for the year	-	-	-	(231)	-	1,024	**793**	(74)	**719**
Dividends paid	-	-	-	-	-	(390)	**(390)**	-	**(390)**
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	**-**	(391)	**(391)**
Share-based payment expense	-	-	-	-	-	34	**34**	-	**34**
Exercise of share options	6	28	-		-	-	**34**	-	**34**
At 30 September 2021	**1,119**	**1,077**	**56**	**96**	**(27)**	**14,093**	**16,414**	**403**	**16,817**
Translation differences on overseas operations	-	-	-	102		1	**103**	9	**112**
Loss for the year	-	-	-	-	-	(436)	**(436)**	(107)	**(543)**
Total Comprehensive Income for the year	-	-	-	102	-	(435)	**(333)**	(98)	**(431)**
Dividends paid	-	-	-	-	-	(502)	**(502)**	-	**(502)**
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	**-**	-	**-**
Share-based payment expense	-	-	-	-	-	23	**23**	-	**23**
Exercise of share options	3	14	-		-	-	**17**	-	**17**
Transfer of treasury shares	-	-	-		27	-	**27**	-	**27**
At 30 September 2022	**1,122**	**1,091**	**56**	**198**	**-**	**13,179**	**15,646**	**305**	**15,951**

The notes on pages 56 to 84 form part of these financial statements.

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

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

Foreign exchange reserve	Cumulative gains/losses arising on retranslating the net assets of overseas operations into Sterling
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere
Non-controlling interest	Interest in subsidiaries not owned by Titon Holdings Plc shareholders

Company Statement of Changes in Equity

at 30 September 2022

	Share Capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	**Total Equity**
	£'000	£'000	£'000	£000	£'000	**£'000**
At 30 September 2020	**1,113**	**1,049**	**56**	**(27)**	**5,203**	**7,394**
Profit for the year	-	-	-	-	243	**243**
Total Comprehensive Income for the year	-	-	-	-	243	**243**
Share-based payment expense	-	-	-	-	34	**34**
Dividends paid	-	-	-	-	(390)	**(390)**
Exercise of Share options	6	28	-	-	-	**34**
At 30 September 2021	**1,119**	**1,077**	**56**	**(27)**	**5,090**	**7,315**
Profit for the year	-	-	-	-	314	**314**
Total Comprehensive Income for the year	-	-	-	-	314	**314**
Share-based payment expense	-	-	-	-	23	**23**
Dividends paid	-	-	-	-	(502)	**(502)**
Exercise of Share options	3	14	-	-	-	**17**
Transfer of Treasury shares	-	-	-	27	-	**27**
At 30 September 2022	**1,122**	**1,091**	**56**	**-**	**4,925**	**7,194**

The notes on pages 56 to 84 form part of these financial statements.

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

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

Group and Company Statement of Cash Flows

for the year ended 30 September 2022

		Group		**Company**	
	Note	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Cash generated from operating activities					
(Loss) / profit before tax		**(953)**	1,075	**35**	(99)
Depreciation of property, plant & equipment	10	**518**	479	**64**	68
Depreciation of right-of-use assets	10	**232**	164	**-**	-
Amortisation of intangible assets	11	**298**	240	**-**	-
Profit on sale of plant & equipment		**(19)**	(7)	**-**	(1)
Share based payment expense - equity settled	23	**23**	34	**23**	34
Finance income	5	**(9)**	-	**(1)**	-
Finance costs	5	**16**	16	**-**	-
Share of associate's post-tax (profit) / (loss)	13	**(173)**	28	**-**	-
		(67)	2,029	**121**	2
(Increase) in inventories		**(1,529)**	(640)	**-**	-
(Increase) / decrease in receivables		**(696)**	(428)	**(952)**	1
Increase / (decrease) in payables and other current liabilities		**498**	206	**(32)**	(715)
Cash generated (used in) / generated by operations		**(1,794)**	1,167	**(863)**	(712)
Income taxes paid		**-**	(22)	**-**	-
Net cash (used in) / generated by operating activities		**(1,794)**	1,145	**(863)**	(712)
Cash flows from investing activities					
Purchase of plant & equipment	10	**(386)**	(502)	**-**	-
Purchase of intangible assets	11	**(288)**	(412)	**-**	-
Proceeds from sale of plant & equipment		**44**	25	**-**	6
Finance income	5	**9**	-	**1**	-
Dividends received from subsidiary companies		**-**	-	**-**	385
Net cash (used in) / generated by investing activities		**(621)**	(889)	**1**	391
Cash flows from financing activities					
Dividends paid to equity shareholders of the parent	8	**(502)**	(390)	**(502)**	(390)
Dividends paid to non-controlling shareholders of a subsidiary	24	**-**	(391)	**-**	-
Payment of lease liability	18	**(226)**	(198)	**-**	-
Finance costs	5	**(16)**	(16)	**-**	-
Exercise of share options	23	**44**	34	**44**	34
Net cash used in financing activities		**(700)**	(961)	**(458)**	(356)
Net decrease in cash		**(3,115)**	(705)	**(1,320)**	(677)

Net decrease in cash	**(3,115)**	(705)	**(1,320)**	(677)
Effect of exchange rate changes	**47**	(73)	**-**	-
Cash at beginning of the year	**4,794**	5,572	**1,324**	2,001
Cash and Cash Equivalents at end of the year	**1,726**	4,794	**4**	1,324

The notes on pages 56 to 84 form part of these financial statements .

Notes to the Consolidated Financial Statements

at 30 September 2022

General information

The consolidated financial statements of the Group for the year ended 30 September 2022 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group").

Titon Holdings Plc shares are publicly traded on the AIM market of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 8. The consolidated financial statements were authorised for release on 25 January 2023.

1 Summary of significant accounting policies

(a) Basis of preparation

Statement of compliance

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively "IFRSs"') as adopted in the United Kingdom ("UK-adopted IFRS").

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

There were no new or amended standards that were required to be adopted by the Group in these financial statements. The Group does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the group.

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered potential worst-case scenarios that could have a material impact on the business and from its other principal risks set out on pages 23 to 26. Under the worst-case scenario considered, which is severe and considered highly unlikely, the Group remains liquid for a period of more than 12 months from the date of reporting and the Directors therefore believe, at the time of approving the financial statements that the Group is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are detailed on pages 29 to 30.

Use of judgement and estimates

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are described under the relevant notes.

(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 2022. 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 Statement of Financial position at cost.

The Group's share of post-acquisition profits and losses is recognised in the consolidated profit or loss, 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 or 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 or 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 Statement of Financial Position, 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.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 reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated profit or loss.

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

Upon disposal of all overseas operations, exchange differences arising from the translation of the financial statements of foreign operations are recycled and taken to the consolidated profit or loss 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 92% (2021: 89%) of sales from the Group's UK business are invoiced in Sterling.

(c) Property, plant and equipment

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

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. All other repairs and maintenance 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 down the cost to their residual values over the estimated useful lives. It is applied at the following rates:

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

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

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

The Group also recognises right-of-use assets and lease liabilities under IFRS 16 (see note 18), for most leases with the exception of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less. Right-of-use assets, which include Property (factory units and office accommodation), plant and equipment and motor vehicles are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and are depreciated on a straight-line basis to write off the carrying value of the assets over the contractual term of each lease.

The carrying values of right-of-use assets are reviewed for impairment when events, such as a change in the term of the lease, or in other 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. The gain or loss arising on the disposal of an intangible asset, other than goodwill, is determined as the difference between the sales proceeds (where appropriate) and the carrying amount of the asset and is recognised in the statement of comprehensive income.

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 Assets under development

Assets under development are not amortised until they are complete and in use by the Group.

vi Subsequent expenditure

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

(f) Inventories

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

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

Net realisable value is based on estimated selling price less further costs to completion and disposal. Slow moving and obsolete inventory is written off to profit or loss. 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 profit or loss.

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 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 is net of value added tax. The Group has concluded that it is the principal in its revenue arrangements as it has control of those goods before transferring them to the customer.

Sale of goods arises from sales of products to third parties and related parties. Revenue from the sale of goods is recognised when the control of the goods is transferred to the buyer. This occurs when the goods are transferred to the customer in accordance with the terms of the trade contract. Before a contract is entered into, customers are assessed using a credit reference agency before credit is granted and where sufficient credit cannot be granted, payment is required in advance of the goods being delivered and is held under other creditors until the goods are delivered and the revenue is then recognised.

Some goods sold by the group include warranties which require the group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is attached to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Extended warranties are not offered to customers.

(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.

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

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

  Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations - see Note 18).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining estimated useful life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases

an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

(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's financial assets include cash and cash equivalents and trade receivables. All financial assets are recognised when the Group becomes party of the contractual provisions if the instrument.

Trade receivables are recognised and carried at amortised cost less expected credit loss. IFRS 9 requires the Group to recognise expected credit losses ('ECL') whereby expected losses as well as incurred losses are provided for. The Group applies the simplified approach when determining ECL provisions for trade receivables. In making the assessment of credit risk and estimating ECL provisions, the Group uses reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions.

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

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

(q) Financial liabilities

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

(r) Treasury shares

Consideration paid or received for the purchase or sale of treasury shares is recognised directly in Equity - see page 53. 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.

(s) Government grants

The Group has took advantage of the Coronavirus Job Retention Scheme in 2021 and 2020 in the UK. This income was recognised in the period to which the furloughed staff costs related to and only when it was reasonably likely for the conditions to be met. The payroll liability had been incurred by the Group and therefore had met the conditions to claim for the payroll period. All other conditions had been satisfied. The Group elected to net the grant income against the costs to which it related i.e., wages and salaries.

(t) Exceptional items

Material items of income or expense that are deemed exceptional due to their size or incidence are disclosed separately in the Consolidated Income Statement.

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 judgements and 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.

Estimates

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). The Group also calculates an amount representing wages and overheads for direct labour and includes an estimate of this amount in the valuation of inventory.

Revenue recognition

The timing of revenue recognition is a significant area of risk to accurate financial reporting and the Group also ensures that accurate estimates of credit note provisions and warranty provisions are made.

Depreciation of property, plant and equipment and right-of-use assets

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).

Expected credit losses and asset impairment

Expected credit losses are assessed under IFRS 9 using reasonable information about past events and current conditions and forecasts of future events. Asset impairment considers the likely returns from financial assets owned by the Group and their recoverability, based on market values and management's judgement of any other relevant factors.

Judgements

Recognition of deferred tax asset

The extent to which deferred taxation assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and taxation loss carry - forward amounts can be utilised. The deferred tax asset of £750k (2021: £278k) has been recognised on the basis that the Group is forecasting sufficient levels of profits in future periods.

3 Revenue and segmental information

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

The Group operates in four main business segments which are:

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

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

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

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

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

	2022	2021
	£'000	£'000
Deferred Revenue at beginning of year	**443**	478
Released in the year	**(443)**	(478)
Provided for in the year	**396**	443
Deferred Revenue at end of year	**396**	443

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

The Group has no material contract assets.

3 Revenue and segmental information (continued)

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

Operating segment

For the year ended 30 September 2022	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	16,497	3,037	538	2,303	22,375
Inter-segment revenue	(288)	-	-	-	(288)
Total Revenue	**16,209**	**3,037**	**538**	**2,303**	**22,087**
Segment profit/(loss)	(651)	(37)	160	(425)	(953)
Tax credit					410
Loss for the year					**(543)**
Depreciation and amortisation	920	42	-	-	962
Total assets	**17,021**	**4,491**	**178**	**-**	**21,690**
Total assets include: Investments in associates	2,910	-	-	-	2,910
Additions to non-current assets (other than financial instruments and deferred tax assets)	671	3	-	-	674

The South Korea Segment profit includes the Group's share of the profits from Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £173,000.

Sales to BTS of £4.71m represented 21% of Group Revenue (2021: £3.58m - 15%). There are no other concentrations of revenue of 10% or more 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 2022	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	18,512	-	538	3,037	-	22,087
By country from which derived	16,209	2,303	538	3,037	-	22,087
Non-current assets						
By entities' country of domicile	5,355	-	46	3,061	-	8,461

3 Revenue and segmental information (continued)

Operating segment

For the year ended 30 September 2021	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	16,368	3,578	629	3,150	23,725
Inter-segment revenue	(313)	-	-	-	(313)
Total Revenue	**16,055**	**3,578**	**629**	**3,150**	**23,412**
Segment profit/(loss)	1,026	(41)	52	38	1,075
Tax expense					(72)
Profit for the year					**1,003**
Depreciation and amortisation	809	74	-	-	883
Total assets	**17,181**	**4,592**	**193**	**-**	**21,966**
Total assets include: Investments in associates	2,681	-	-	-	2,681
Additions to non-current assets (other than financial instruments and deferred tax assets)	893	21	-	-	914

The South Korea Segment loss includes the Group's share of the losses from Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £28,000.

Sales to BTS of £3.58m represented 15% of Group Revenue (2020: £4.92m - 24%). There are no other concentrations of revenue of 10% or more 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 2021	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	19,205	-	629	3,578	-	23,412
By country from which derived	16,055	3,088	629	3,578	62	23,412
Non-current assets						
By entities' country of domicile	4,996	-	32	2,878	-	7,906

Information about the Group's products

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

	2022	2021
	£'000	£'000
Trickle ventilation and window and door hardware products	**13,586**	14,672
Mechanical ventilation products	**8,501**	8,740
Revenue	**22,087**	23,412

4 Directors and employees

	Group		**Company**	
	2022	2021	**2022**	2021
Staff costs, including Directors, were as follows:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**6,384**	6,155	**363**	527
Grant income	**-**	(8)	**-**	-
Wages and salaries after Government grant	**6,384**	6,147	**363**	527
Employer's social security costs and similar taxes	**664**	604	**56**	58
Defined contribution pension cost	**564**	495	**10**	14
Share based payment expense - equity settled	**38**	34	**-**	34
	7,650	7,280	**429**	633

Grant income represents amounts claimed under coronavirus job retention scheme.

	Group		**Company**	
	2022	2021	**2022**	2021
The average monthly number of employees during the year was as follows:	**Number**	Number	**Number**	Number
Manufacturing	**137**	133	-	-
Sales, marketing, and administration	**72**	69	**5**	5
	209	202	**5**	5

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 33 to 36.

5 Finance income and expense

Finance income	**Group**		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Bank interest receivable on short term deposits	**9**	-	1	-

Finance expense	**Group**		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Interest expense on lease liabilities	**16**	16	-	-

6 Loss before tax (2021: profit)

	2022	2021
	£'000	£'000
This is arrived at after charging / (crediting):		
Depreciation of property, plant & equipment	**518**	479
Depreciation of right-of-use assets	**232**	164
Amortisation of intangible assets	**298**	240
Research and development expenditure written off	**629**	509
Short term rentals - vehicles and plant & equipment	**53**	30
Foreign exchange (gain) / loss	**(109)**	66
Share-based payment expense	**38**	34
Profit on disposal of property, plant & equipment	**19**	7
Auditors' remuneration:		
- for the audit of these accounts	**20**	14

- for the audit of the accounts of the Company's subsidiaries	**110**	85
- for the audit of the accounts of the Group's associate	**13**	17
- non-audit services - comprising other assurance services	**-**	1

7 Tax credit / (expense)

		2022	2021
Current income tax:		**£'000**	£'000
Corporation tax expense		**-**	(22)
Adjustment in respect of prior years		-	-
		-	(22)
Deferred tax:			
Origination and reversal of temporary differences	Note 16	**410**	(75)
Effect of rate change on opening balances	Note 16	**-**	25
Income tax credit / (expense)		**410**	(72)

	2022	2021
The charge for the year can be reconciled to the profit per the income statement as follows:	**£'000**	£'000
(Loss) / profit before tax	**(953)**	1,075
Effect of:		
Expected tax credit based on the standard rate of Corporation tax in the UK of 19% (2021: 19%)	**(181)**	(204)
Additional deduction for R&D expenditure	**189**	167
Effect of Associate's results reported net of tax	**33**	(5)
Expenses deductible for tax purposes	**7**	(8)
Difference in overseas tax rates	**-**	(22)
Impact of deferred tax assets not recognised	**384**	-
Other adjustments	**(22)**	-
Income tax credit / (expense)	**410**	(72)

The tax rate in the United Kingdom, being the primary economic environment in which the Group conducts its business is 19% from 1 April 2017. The rate is due to change to 25% from 1 April 2023.

8 Dividends

	2022	2021
	£'000	£'000
Final 2021 dividend of 3.00 pence (2020: 2.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**335**	223
Interim dividend of 1.50 pence (2021: 1.50 pence) per ordinary share paid during the year	**167**	167
	502	390

The Directors are proposing a final dividend of 0.5 pence (2021: 3.0 pence) per share. This will result in a final dividend totalling £56,094 (2021: £334,313), 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:

	2022	2021
	£'000	£'000
Numerator		
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	**(436)**	1,028
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**11,196,627**	11,124,517
Effect of dilutive potential ordinary shares: share options	**18,173**	74,610
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,214,800**	11,199,127
Earnings per share (pence)		
Basic	**(3.89p)**	9.24p
Diluted	**(3.89p)**	9.18p

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 2020	3,455	193	8,197	260	12,105
Additions	-	-	426	76	502
Disposals	-	-	(70)	(48)	(118)
Foreign exchange revaluation	-	(2)	(41)	-	(43)
At 1 October 2021	3,455	191	8,512	288	12,446
Additions	-	-	339	47	386
Disposals	-	-	(40)	(66)	(106)
Foreign exchange revaluation	-	-	-	-	-
At 30 September 2022	**3,455**	**191**	**8,811**	**269**	**12,726**
Depreciation					
At 1 October 2020	1,554	47	6,848	187	8,636
Charge for the year	64	84	236	95	479
Disposals	-	-	(70)	(40)	(110)
Foreign exchange revaluation	-	(1)	(34)	-	(35)
At 1 October 2021	1,618	130	6,980	242	8,970
Charge for the year	64	(19)	430	43	518
Disposals	-	-	(28)	(54)	(82)
Foreign exchange revaluation	-	(1)	-	-	(1)
At 30 September 2022	**1,682**	**110**	**7,382**	**231**	**9,405**
Net book value					
At 30 September 2022	**1,773**	**81**	**1,429**	**38**	**3.321**
At 30 September 2021	1,837	61	1,532	46	3,476
At 1 October 2020	1,901	146	1,349	73	3,469

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 2022, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £83,000 (2021: £116,000).

10 Property, plant and equipment (continued)

Group: right-of-use assets	Leasehold property	Plant and equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 October 2020	662	25	336	1,023
Additions	-	-	51	51
Disposals	(103)	-	(9)	(112)
Foreign exchange revaluation	(9)	-	(8)	(17)
At 1 October 2021	550	25	370	945
Additions	85	47	106	238
Disposals	(85)	-	(40)	(125)
Foreign exchange revaluation	-	-	-	-
At 30 September 2022	**550**	**72**	**436**	**1,058**
Depreciation				
At 1 October 2020	133	4	114	251
Charge for the year	8	5	151	164
Disposals	-	-	(9)	(9)
Foreign exchange revaluation	(4)	-	(3)	(7)
At 1 October 2021	137	9	253	399
Charge for the year	115	10	107	232
Disposals	(85)	-	(40)	(125)
Foreign exchange revaluation	(1)	-	-	(1)
At 30 September 2022	**166**	**19**	**320**	**505**
Net book value	**384**	**53**	**116**	**553**
At 30 September 2022				
At 30 September 2021	**413**	**16**	**117**	**546**

At 30 September 2022, the Group had entered into contractual commitments for the acquisition of motor vehicles under finance leases amounting to £119,000 (2021: £182,000).

10 Property, plant and equipment (continued)

Company

The Company has no right-of-use assets (2020: £nil)

Company: property and motor vehicles	Freehold land and buildings	Motor vehicles	Total
Cost	£'000	£'000	£'000
At 1 October 2020	3,455	52	3,507
Additions	-	-	-
Disposals	-	(25)	(25)
At 1 October 2021	**3,455**	**27**	**3,482**

At 1 October 2021	3,455	27	3,482
Additions	-	-	-
Disposals	-	-	-
At 30 September 2022	**3,455**	**27**	**3,482**
Depreciation			
At 1 October 2020	1,554	43	1,597
Charge for the year	65	4	69
Disposals	-	(20)	(20)
At 1 October 2021	**1,619**	**27**	**1,646**
Charge for the year	63	-	63
Disposals	-	-	-
At 30 September 2022	**1,682**	**27**	**1,709**
Net book value at 30 September 2022	**1,773**	**-**	**1,773**
At 30 September 2021	1,836	-	1,836
At 1 October 2020	1,901	9	1,910

11 Intangible assets

Group

	Computer software	Development costs (internally generated)	Goodwill	Assets under development	Patents	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2020	805	1,082	78	179	257	2,401
Additions	-	152	-	260	-	412
Disposals	-	-	-	-	-	-
Foreign exchange revaluation	-	-	-	-	(1)	(1)
At 1 October 2021	**805**	**1,234**	**78**	**439**	**256**	**2,812**
Additions	595	130	-	(439)	2	288
At 30 September 2022	**1,400**	**1,364**	**78**	**-**	**258**	**3,100**
Amortisation						
At 1 October 2020	611	786	-	-	251	1,648
Charge for the year	87	151	-	-	2	240
Disposals	-	-	-	-	-	-
Foreign exchange revaluation	-		-	-	(1)	
At 1 October 2021	**698**	**937**	**-**	**-**	**252**	**1,887**
Charge for the year	148	149	-	-	1	298
At 30 September 2022	**846**	**1,086**	**-**	**-**	**253**	**2,185**
Net book value at 30 September 2022	**554**	**278**	**78**	**-**	**5**	**915**
At 30 September 2021	107	297	78	439	4	925
At 1 October 2020	194	296	78	179	6	753

All assets have an average useful life of 3.6 years (2021: 3.5 years) except for Goodwill which has an indefinite useful life.

Included with Computer Software is the Group's new Enterprise Resource Planning software system which was operational from 1 May 2022 and was transferred from assets under development in the year. The carrying value of the new system at 30 September 2022 is £491,000 with a remaining amortisation period of 4.6 years.

Additionally, included within Computer Software is the Group's old Enterprise Resource Planning software system which has a carrying value of £nil at 30 September 2022 (2021: £40,000) and is fully amortised (2021: 0.9 years amortisation remaining).

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 (2021: £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 2021 and 2022
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	**2022 £'000**	2021 £'000
At 30 September	**554**	554

13 Investments in associates

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

Name of associate	**Principal activity**	**Country of incorporation**	**Address**	**Proportion of voting rights held at 30 September 2021 and 2022**
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 BTS is held by South Korean investors who, through their voting shares, have operational control of the company.

Company Investment	**2022 £'000**	2021 £'000
At 30 September	**225**	225

13 Investments in associates (continued)

The aggregated amounts relating to BTS are as follows:

As at 30 September	**2022 £'000**	2021 £'000
Current assets	**5,760**	5,636
Non-current assets	**470**	276
Total Assets	**6,230**	5,912
Current liabilities	**546**	792
Non-current liabilities	**148**	51
Total Liabilities	**694**	843
Net Assets	**5,536**	5,069

Group 49% share of Net Assets	**2,712**	2,484
Group investment in Goodwill	**197**	197
Group share of investment	**2,909**	2,681

For the year ended 30 September	**2022 £'000**	2021 £'000
Revenue	**4,714**	5,388
Profit / (loss) after tax	**173**	(28)

BTS has been included based on audited financial statements drawn up for the year to 30 September 2022. Transactions between it and the Group are set out in note 24.

The Group's investment in BTS at 30 September 2022 includes £197,000 (2021: £197,000) of goodwill.

14 Inventories

Group	**2022 £'000**	2021 £'000
Raw materials and consumables	**2,733**	1,747
Work in progress	**176**	710
Finished goods and goods for resale	**3,662**	2,585
	6,571	5,042

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net debit of £151,706 (2021: net debit of £25,000) to the Consolidated Income Statement in relation to the inventory provisions. The movements in the inventory write-down 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 £16,270,000 (2021: £16,061,000).

Company

The Company had no inventories at 30 September 2022 (2021: £nil).

15 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables	**4,566**	3,624	**1**	1

Less: Impairment Allowance	**(209)**	(86)	**-**	-
Trade receivables - net	**4,357**	3,538	**1**	1
Related parties receivables	**180**	310	**4,768**	3,815
Less: provision for impairment	**-**	-	**-**	-
Related parties receivables (See Note 24)	**180**	310	**4,768**	3,816
Other receivables	**214**	197	**-**	2
Prepayments and accrued income	**169**	179	**-**	-
Total trade and other receivables	**4,920**	4,224	**4,769**	3,818

Other than the amounts due from related parties there were no significant concentrations of credit risk at either 30 September 2022 or 30 September 2021.

The average credit period taken on sale of goods by the Group's trade debtors is 58 days (2021: 50 days).

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

	Group			Group
	2022	**2022**	2021	2021
	£'000	**£'000**	£'000	£'000
	Gross trade and related party receivables	**Impairment Allowance (ECL)**	Gross trade and related party receivables	Impairment Allowance (ECL)
Current - not overdue	**3,058**	**(29)**	2,655	(17)
Up to 30 days past due	**1,047**	**(56)**	1,022	(19)
Up to 60 days past due	**259**	**(53)**	92	(14)
Up to 90 days past due	**173**	**(71)**	61	(10)
Over 90 days past due	**-**	**-**	99	(26)
	4,537	**(209)**	3,929	(86)

Of the £209,000 ECL provision, £nil (2021: £nil) relates to amounts due from the Group's associate. See note 13.

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

There are no indications as at 30 September 2022 that the debtors will not meet their payment obligations in respect of the amount of trade and related party receivables recognised in the balance sheet that are overdue and unprovided. The proportion of trade debtors at 30 September 2022 that are overdue for payment is 37% (2021: 32%).

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

15 Trade and other receivables (continued)

	Group	
Movements on the provision for impairment of trade and related party receivables are as follows:	**2022**	2021
	£'000	£'000
At the beginning of the year	**86**	114
Provision for receivables impairment	**209**	86
Receivables written off during the year as uncollectible	**(29)**	(6)
Unused amounts reversed	**(57)**	(108)
At the end of the year	**209**	86

16 Deferred tax

Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021: 25.0%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2021	Effect of rate change on opening balances	Foreign exchange movement	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2022**	Asset 2022 UK	Asset 2022 Non-UK
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000

UK accelerated capital allowances	(407)	-	-	407	**-**	-	-
Non-UK accelerated capital allowances	2	-	-	-	**2**	-	2
UK other temporary and deductible differences	77	-	-	(91)	**(14)**	(14)	-
Non-UK other temporary and deductible differences	30	-	-	(3)	**27**	-	27
UK available losses	457	-	-	96	**553**	553	-
Non-UK available losses	119	-	9	1	**129**	-	129
Total deferred tax	**278**	**-**	**9**	**410**	**697**	**539**	**158**

A deferred tax asset of £384k (2021: £nil) has not been recognised, which is in respect of further losses of £1,537k (2021: £nil) at the substantively enacted rate of 25%.

16 Deferred tax (continued)

	Total deferred tax at 1 October 2020	Effect of rate change on opening balances	Foreign exchange movement	Credited/ (expensed) to Income Statement	**Total deferred tax at 30 September 2021**	Asset 2021 UK	Asset 2021 Non-UK
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000
UK accelerated capital allowances	(268)	(84)	-	(55)	**(407)**	(407)	-
Non-UK accelerated capital allowances	2	-	-	-	**2**	-	2
UK other temporary and deductible differences	47	16	--	14	**77**	77	-
Non-UK other temporary and deductible differences	31	-	-	(1)	**30**	-	30
UK available losses	355	93	-	9	**457**	457	-
Non-UK available losses	166	-	(5)	(42)	**119**	-	119
Total deferred tax	**333**	**25**	**(5)**	**(75)**	**278**	**127**	**151**

Company

Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 25% (2021: 25%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2021	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	**Total deferred tax at 30 September 2022**
	£'000	£'000	£'000	**£'000**
UK Accelerated capital allowances	(303)	-	303	**-**
UK other temporary and deductible differences	22	-	(18)	**4**
UK available losses	7	-	(7)	**-**
Total deferred tax	**(274)**	**-**	**278**	**4**

	Total deferred tax at 1 October 2020	Effect of rate change on opening balances	Credited to Income Statement	**Total deferred tax at 30 September 2021**	Liability 2021 UK
	£'000	£'000	£'000	**£'000**	£'000
UK Accelerated capital allowances	(242)	(77)	16	**(303)**	(303)
UK other temporary and deductible differences	10	3	9	**22**	22
UK available losses	-	-	7	**7**	7
Total deferred tax	**(232)**	**(74)**	**32**	**(274)**	**(274)**

17 Trade and other payables - current

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade payables	**3,121**	2,472	**(4)**	-
Other payables	**722**	386	**-**	-
Other tax and social security taxes	**286**	418	**-**	-
Accruals and deferred income	**922**	1,278	**139**	168
	5,051	4,554	**135**	168

Group trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year-end Group trade creditors represent 52 days (2021: 62 days) average purchases. The contractual maturities of these liabilities are from 30 days up to approximately 60 days.

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

18 Leases

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group

At 30 September 2022 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses as there are no break clauses available.

Right-of-Use Assets	Freehold land and buildings	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
At 1 October 2021	413	16	117	546
Additions	85	47	106	238
Amortisation	(115)	(10)	(107)	(232)
Disposals	-	-	-	-
Foreign exchange revaluation	1	-	-	1
At 30 September 2022	**384**	**53**	**116**	**553**

Lease Liabilities	£'000
At 1 October 2021	595
Additions	238
Interest expense	16
Lease payments	(242)
Foreign exchange revaluation	3
At 30 September 2022	**610**

18 Leases (continued)

Lease liabilities	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	**Total**
	£'000	£'000	£'000	£'000	£'000
At 30 September 2021	**193**	**160**	**212**	**30**	**595**
At 30 September 2022	**232**	**145**	**233**	**-**	**610**

Lease expense	**2022**
	£'000
Short term lease expense	53
Low value lease expense	-
Aggregate undiscounted commitments for short term leases	-
	53

19 Share capital

Authorised	**2022** £'000	2021 £'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:

	2022 Number	**2022 £'000**	2021 Number	2021 £'000
At the beginning of the year	**11,193,750**	**1,119**	11,133,750	1,113
Share options exercised during the year	**25,000**	**3**	60,000	6
At the end of the year	**11,218,750**	**1,122**	11,193,750	1,119

Share premium

	2022 £'000	2021 £'000
At the beginning of the year	**1,077**	1,077
Share options exercised during the year	**14**	-
At the end of the year	**1,091**	1,077

Treasury shares held by the Group

	2022 Number	**2022 £'000**	2021 Number	2021 £'000
At the beginning of the year	**50,000**	**27**	50,000	27
Transfer of treasury Shares	**(50,000)**	**(27)**	-	-
At the end of the year	**-**	**-**	50,000	27

Treasury shares held by the Group were acquired in July 2014. All Treasury shares were disposed of during the year to satisfy an exercise of share options.

19 **Share capital (continued)**

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		
15.01.14	58.0p	65,000	15.01.17	and	15.01.24
30.01.18	156.5p	132,000	30.01.21	and	30.01.28
15.07.21	138.5p	90,000	15.07.24	And	15.07.31
01.07.22	95.0p	150,000	01.07.25	and	01.07.32
At 30 September 2022		**437,000**			
At 30 September 2021		615,000			

No share options were exercised between 30 September 2022 and 25 January 2023.

20 **Cash and cash equivalents**

Financial assets

The Group has floating rate financial assets which comprise treasury deposits, cash to finance its operations together with the retained profits generated by operating companies (refer to the 'Financial Assets' note 1(p) on page 61 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	
	2022	2021	**2022**	2021
Currency	**£'000**	£'000	**£'000**	£'000
Sterling	**1,374**	3,882	**4**	1,324
US Dollar	**82**	126	**-**	-
Euro	**196**	532	**-**	-
South Korean Won	**74**	254	**-**	-
	1,726	4,794	**4**	1,324

The Sterling financial assets comprises cash held on current account with banks.

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

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Bank current accounts	**1,726**	4,794	**4**	1,324

The Group had a floating term deposit of £1m with the bank at 30 September 2022 (2021: £nil).

Financial liabilities

The Group had no floating rate financial liabilities at 30 September 2022 (2021: £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.

21 **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 28, and the Report on Risk Management on pages 23 to 26 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.

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 41 and 42.

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 20).

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 is not reliant on any key customers.

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

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

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

Liquidity risk

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

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

Foreign exchange risk

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

21 Financial instruments - risk management (continued)

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 7% (2021:11%) 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)	**2022**	2021
	£'000	£'000
Euro	**(587)**	72
US Dollar	**686**	163
Total net exposure	**99**	235

The effect of a 10% weakening of the Euro and the US Dollar against Sterling at the reporting date of 30 September 2022 on these denominated trade and other receivables, trade and other payables and cash balances carried at that date would, had all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £9,000 (2021: decrease in liability of £21,000). A 10% strengthening in the exchange rate would, on the same basis, have increased pre-tax profit and increased net assets by £10,000 (2021: increase of £23,000).

22 Pension

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 £37,000 (2021: £40,000).

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 three equity settled share option schemes; one HMRC approved and one unapproved in which employees may be invited to participate, which were both introduced in March 2010. The third scheme was introduced in July 2021 and an additional tranche was introduced in July 2022 and is HMRC registered. 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.

In the year to 30 September 2022 150,000 shares were granted (2021: 260,000).

23 Share-based payments (continued)

Details of the share options granted and exercised during the year and the assumptions used in the Black-Scholes model for each share-based payment are as follows:

Date of share option grant	**09/06/11**	**15/01/14**	**30/01/21**	**15/07/21**	**01/07/22**	Number of share options
Exercise price (pence)	48.0	58.0	156.5	138.5	95.0	
Number of share options granted initially	259,950	320,000	205,000	260,000	150,000	
Number of share options outstanding at 01/10/20	**10,000**	**200,000**	**205,000**	**-**	**-**	**415,000**
Share options granted	-	-	-	260,000	-	260,000
Share options exercised	(10,000)	(50,000)	-	-	-	(60,000)
Number of share options outstanding at 30/09/21	**-**	**150,000**	**205,000**	**260,000**	**-**	**615,000**
Share options lapsed	-	(10,000)	(73,000)	(170,000)	150,000	(103,000)
Share options exercised	-	(75,000)	-	-	-	(75,000)
Number of share options outstanding at 30/09/22	**-**	**65,000**	**132,000**	**90,000**	**150,000**	**437,000**
The inputs to the Black-Scholes pricing model are:						
Expected volatility %	111	116	88	97	97	
Expected option life (years)	6	6	6	6	6	
Risk free rate %	2.50	2.18	1.13	0.46	0.46	
Expected dividend yield %	5	5	3	3	3	

During the year no additional share options, included in the table above, met the conditions of exercise (2021: 207,000).

At the end of the financial year 64,000 share options met the conditions of exercise and have a weighted average exercise price of 58p (2021: 207,000 at 57.5p). The 437,000. share options outstanding at 30 September 2022 had a weighted average price of 1.134p (2021: 615,000 at 124.9p) and a weighted average remaining contractual life of 7.13 years (2021: 6.8 years).

The share price at 30 September 2022 was 81.0p (2021: 115.0p). The average market price during the year was 95.0p (2021: 96.8p).

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

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period on the Group's estimate of shares that will eventually vest. A charge of £23,000 was recognised in respect of share options in the year (2021: £34,000) of which £7,000 (2021: £11,000) was the charge made in respect of key management personnel.

24 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.
Related party transactions are made on terms equivalent to those that prevail in arm's length transactions only where such terms can be substantiated.
During the year the Company recharged management service fees and rent to other wholly owned Group members totalling £777,000 (2021: £739,000). See Note 15 for the related party balances at 30 September 2022.

Titon Korea Co. Ltd., the Company's 51% owned subsidiary, paid a dividend during the year to its shareholders amounting to £nil (2021: £798,000). Of this amount, £nil (2021: £407,000) before withholding tax, was paid to the Company with the other £nil (2021: £391,000) being paid to the non-controlling interests.

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

Sales of goods		**Amount owed by related party**	
2022	2021	**2022**	2021

	£'000	£'000	£'000	£'000
Browntech Sales Co. Ltd	**3,037**	3,577	**180**	310

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

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

Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. Aside from compensation arrangements including share options, there were no transactions, agreements or other arrangements, direct or indirect, during the year in which the Directors had any interest, The Directors' remuneration is disclosed in the Remuneration Report on page 34 of this document.

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

	2022	2021
	£'000	£'000
Short term benefits	**835**	897
Post-employment benefits	**75**	55
Share based payments	**7**	4
	917	956

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

25 Events after the reporting date

There have been no events after the reporting date that materially affect the position of the Group.

26 Exceptional items

	2022	2021
	£'000	£'000
One off cost of living bonus to all employees	**89**	-
Restructuring costs	**260**	-
Administrative costs - exceptional	**349**	-

Five Year Summary

Summarised consolidated results

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Revenue	**22,087**	23,412	20,652	27,157	29,774
Gross profit	**5,817**	7,350	5,654	8,198	8,604
Operating (loss) / profit	**(1,119)**	1,119	(39)	1,629	2,016
Share of profit / (loss) from associate	**173**	(28)	83	329	741
(Loss) / profit before tax	**(953)**	1,075	18	1,970	2,770
Income tax credit / (expense)	**410**	(72)	104	(186)	(315)
(Loss) / profit after tax	**(543)**	1,003	122	1,784	2,455
Dividends	**502**	390	332	526	489
Basic (loss) / earnings per share	**(3.89p)**	9.24p	0.52p	12.84p	18.21p
Assets Employed					
Property, plant & equipment	**3,321**	3,476	3,469	3,799	3,655
Net cash and cash equivalents	**1,726**	4,794	5,572	4,587	3,415
Net current assets	**7,588**	9,313	9,138	10,112	9,838
Financed by					
Shareholders' funds: all equity	**15,646**	16,414	15,943	16,262	15,421

The five year summary does not form part of the audited financial statements and is not an IFRS statement.

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 premises at Falconer Road, Haverhill, CB9 7XU on 22 March 2023 at 10.00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 1 to 13 will be proposed as Ordinary Resolutions and Resolution 14 will be proposed as a Special Resolution.

Explanatory notes in respect of the resolutions are set out on pages 30 to 32 of the Directors' Report which accompanies this Notice.

Please note you will not receive a form of proxy for the 2023 AGM in the post. Instead, you can vote online at www.signalshares.com. To register you will need your Investor Code, which can be found on your share certificate. You may also request a hard copy proxy form directly from our Registrars, Link Group, on 0371 664 0300. For full details on proxy voting please see the notes below, which accompany this Notice of Annual General Meeting.

1. To receive and adopt the reports of the Directors and the Auditors and the audited accounts of the Company for the year ended 30 September 2022.

2. To declare a final dividend of 0.5p per ordinary share payable to shareholders on the Company's register of members at close of business on 10 February 2023 payable on 31 March 2023.

3. To re-elect Mr Tyson Anderson who retires from the Board as a Director of the Company.

4. To re-elect Mr Keith Ritchie, who retires from the Board as a Director of the Company.

5. To re-elect Mr Nicholas Howlett, who retires from the Board as a Director of the Company.

6. To re-elect Mr Paul Hooper, who retires from the Board as a Director of the Company.

7. To re-elect Mr Jeff Ward, who retires from the Board as a Director of the Company.

8. To re-elect Miss Alexandra French, who retires from the Board as a Director of the Company.

9. To re-elect Ms Carolyn Isom, who retires from the Board as a Director of the Company.

10. To re-appoint MacIntyre Hudson LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

11. That the Directors' Remuneration Report set out on pages 33 to 36 of the Annual Report and Financial Statements for the year ended 30 September 2022 a new Executive Management Bonus Structure, details of which are contained in the Directors' Remuneration Report, be approved.

12. 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 £270,000 (representing approximately 24% of the nominal value of the ordinary shares in issue on 25 January 2023) for a period expiring (unless previously revoked, varied or renewed) on 22 June 2024 or, if sooner, at the end of the 2024 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.

13. That subject to the passing of Resolution 12 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 12 as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall expire on 22 June 2024 or, if sooner, the end of the 2024 Annual General Meeting of the Company. This power shall be limited to the allotment of equity securities:

13.1 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

13.2 otherwise than pursuant to paragraph 13.1 up to an aggregate nominal amount of £160,000 (representing approximately 14.3% of the nominal value of the ordinary shares in issue on 25 January 2023);

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 12" were omitted.

14. 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:

14.1 the maximum number of ordinary shares hereby authorised to be purchased is 1,121,875 (representing approximately 10% of the nominal value of the ordinary shares in issue on 25 January 2023);

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

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

14.4 this authority (unless previously revoked, varied or renewed) shall expire on 22 June 2024 or, if sooner, the end of the 2024 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

C V Isom
Secretary

25 January 2023

Registered Office:

894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

Notes:

Rights to appoint a proxy

1 . Shareholders can vote online by logging on to www.signalshares.com and following the instructions given. Alternatively shareholders can request a hard copy proxy form by contacting our Registrars, Link Group, on 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link Group are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales) and returning it to the address shown on the form. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.

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

Procedure for appointing a proxy

3 . To be valid, the proxy instruction must be received by one of the below methods no later than 10.00 a.m. on Monday 20 March 2023. It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority:

- via www.signalshares.com by logging in and selecting the 'Proxy Voting' link. If you have not previously registered, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate and dividend confirmation), family name and postcode (if resident in the UK);
- if your shares are held electronically via CREST, the proxy appointment may be lodged using the CREST Proxy Voting Service in accordance with note 7 below; and
- in hard copy form by post, by courier or by hand to the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL;
- unless otherwise indicated on the Form of Proxy, CREST voting or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion withhold from voting.

Nominated persons

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

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

CREST

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

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

8 . CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is

instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

Entitlement to Attend

10. Entitlement to attend and vote at the meeting (and the number of votes which may be cast at the meeting), will be determined by reference to the Company's register of members at close of business on 20 March 2023, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (ignoring for these purposes non-working days). In each case, changes to the register after such time will be disregarded.

Corporate representatives

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

Total voting rights

12. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 25 January 2023, which is the latest practicable date before the publication of this document, is 11,218,750. On a vote by show of hands, every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote. On a poll vote, every member who is present in person or by proxy has one vote for every ordinary share of which they are the holder.

Publication on website

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

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

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

Documents available for inspection

16. Copies of the service contract of each Executive Director and the letter of appointment of each Non-executive Director will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays and public holidays) and at Falconer Road, Haverhill, CB9 7XU, for at least 15 minutes prior to and during the Annual General Meeting.

Communications

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

- call the Link shareholders' helpline on 0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales; or
- write to Link Group, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

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

Directors and Advisers

DIRECTORS

Executive

A C French (Chief Executive) - (appointed 3 May 2022)
C V Isom (Chief Financial Officer) - (appointed 22 December 2021)

Non-executive

K A Ritchie (Group Non-Executive Chair)
T N Anderson (Deputy Chair)
N C Howlett
G P Hooper (appointed 1 April 2022)

C P Hooper (appointed 1 April 2022)
J Ward (appointed 1 April 2022)

SECRETARY AND REGISTERED OFFICE

C V Isom
894 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

COMPANY REGISTRATION NUMBER

1604952 (Registered in England & Wales)

WEBSITE

WWW.TITON.COM/UK/INVESTORS/

AUDITOR

MHA Macintyre Hudson
6th Floor, 2 London Wall Place
London
EC2Y 5AU

NOMINATED ADVISER

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

BROKER

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

REGISTRARS AND TRANSFER OFFICE

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

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