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Titon Holdings Plc

Preliminary results for the year to 30 September 2021

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 unaudited preliminary results for the year ended 30 September 2021.

Summary Financial Results (unaudited)

	2021	2020	Change (%)
Net revenue	£23.4m	£20.7m	+13%
EBITDA	£2.0m	£1.0m	+100%
Group profit before tax	£1.075m	£0.02m	+5,375%
Basic earnings per share (EPS)	9.24p	0.52p	+1,777%
Full year dividends per share	4.5p	2.0p	+125%
Net cash	£4.79m	£5.57m	-14%

- Net revenue increased 13% to £23.4 million (2020: £20.7 million) as a result of the return of normal trading operations in the UK and Europe following the initial Covid-19 pandemic lockdowns
  - We enjoyed a full and strong year of trading following the disruption to production suffered in 2020
  - Trading in South Korea continued to be weak reflecting challenging market conditions and supply chain issues
- Gross margin of 31.4% (2020: 27.4%), back above pre-pandemic levels (2019: 30.2%)
- EBITDA of £2.0 million (2020: £1.0 million) and Group profit before tax of £1.075 million (2020: £0.02 million) reflecting the recovery in trading and margins
- Proposed final dividend of 3.0 pence per share, (2020: 2.0 pence) in addition to the interim dividend of 1.5p (2020: nil)
- Strong balance sheet maintained with net cash of £4.79 million at 30 September 2021 whilst the Group's inventory and trade receivables increased as trading normalised.

Operational and divisional highlights

- Despite the industry-wide supply chain and sourcing issues during the year, the Group's UK and European based businesses saw revenue increase by 28% as demand was strong for the Group's products:
  - Revenue from the UK window & door hardware business was up 24% as both the new build market and RM&I market recovered strongly
  - Mechanical ventilation systems revenues rose by 34% overall:
    - 43% mechanical ventilation systems revenue growth in the UK, helped significantly by sales of the new Titon FireSafe® Air Brick Range
    - Sales into mainland Europe of mechanical ventilation products were up 18%, despite the UK leaving the Single Market during the period
- Titon Korea's revenue fell 27% as a result of the continued slowdown in residential construction activity and delays in projects, the impact of the pandemic and supply chain issues.
- Continuing focus on product development with the Titon Ultimate® dMEV extract fan launched in the UK in early 2021 and additional new products to be launched in 2022. 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

- Trading in October and November 2021 in the UK and Europe has been at a similar level to the same months in 2020 despite the difficulties caused by the industry-wide supply chain issues. Sales in Korea in October remained subdued.
- We are seeing ongoing price increases for raw materials, components and labour and expect that to continue throughout 2022, which we are mitigating by applying our sales price increases.
- We are currently recruiting a new CEO and 2 independent Non-executive Directors and anticipate making other senior management appointments during 2022 to support our growth ambitions.
- Customer demand remains strong, but we expect that component shortages will continue to present challenges in 2022, which the Group will continue to seek to manage. However, the Board remains optimistic over the medium-term prospects for the Group.

Executive Chairman, Keith Ritchie, said:

"We have been pleased that sales have rebounded following the impact of the first UK lockdown in March 2020, as the house building and RM&I sectors have recovered. The on-going supply challenges are a well-publicised issue affecting the whole industry. Whilst we expect this will hold back 2022 performance to some degree, we will continue to do everything we can to manage and alleviate these challenges. Titon remains profitable and cash generative; we were pleased to reinstate the interim dividend earlier this year and a final dividend for the year is proposed.

We are currently waiting to find out how virulent the new Omicron variant is, and the extent of the UK government's response to it. Whilst the potential impact on economic activity in both the UK and Europe remains unclear, we have a very strong balance sheet, talented employees and a good range of products that give us confidence in our future despite these uncertainties."

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The Preliminary results for the year to 30 September 2021 is contained below. This document can be accessed with the benefit of page referencing on the Company's website: www.titon.com/uk/investors/

Chairman's Statement

We are now emerging from the Covid-19 pandemic and the UK currently remains open, albeit that concerns over the effect of Covid-19 persist and some restrictions have been reimposed of late by the UK government. We are seeing some European countries return to lockdowns but the main markets in which we trade are open and trading relatively normally and I am pleased to say that Titon is also operating normally. As I reported at the time of the Group's interim results, we have traded throughout the period and have seen a good recovery in trading in the UK and Europe compared to 2020. Our financial position remains strong.

During the year we have followed the Government's guidelines for safe working in our factory in Haverhill and in our offices and have developed and updated an ongoing Covid-19 risk assessment to guide our actions. We decided not to bring our office-based employees back when the guidelines were removed in July, as at that time the number of infections were rising in the East of England and we felt that it was safer for our employees to remain working from home, where possible. Where employees have been required to work from the office, we have maintained a careful limit on the numbers coming in and required regular lateral flow testing to take place. We remain committed to ensuring that the health and safety of all of our employees is maintained and we thank them for the efforts they have made to ensure that both the office and factory remain safe working places.

Profit and loss

In the year ended 30 September 2021, the Group's net revenue (which excludes inter-segment activity) increased by 13% to £23.4m (2020: £20.7m).

The Group's gross margin increased from 27.4% in 2020 to 31.4% in 2021, which is back above pre-pandemic levels (2019: 30.2%). We achieved a full, strong year of trading compared to the previous year where the results were exacerbated by the production suspension in the year, triggered by the first UK lockdown which impacted our UK business. We realised an operating profit in the period of £1.1m (2020: operating loss of £39,000). EBITDA was 100% higher at £2.0m (2020: £1.0m).

Net finance interest cost amounted to £16,000 (2020 interest: £26,000). The share of profits from the Group's South Korean associate, BTS, fell from a profit of £83,000 in 2020 to a loss of £28,000 in 2021 due to continuing challenging market conditions and several supply chain issues in Korea. Due to an overall strong performance in the UK business the Group profit before tax realised was £1.08m (2020: £18,000).

Basic statutory earnings per share for the year was 9.24 pence (2020: 0.52 pence).

An interim dividend of 1.5 pence per share was paid in the year to 30 September 2021 and the Directors are proposing a final dividend of 3.0 pence per share (2020: 2.0 pence). The total dividend for the year will therefore be 4.5 pence per share (2020: 2.0 pence). If approved by shareholders at the forthcoming Annual General Meeting on 23 February 2022, the dividend will be payable on 4 March 2022 to shareholders on the register at 28 January 2022. The ex-dividend date is 27 January 2022.

Statements of financial position and cash flows

The Group benefits from a robust and liquid balance sheet with no financial debt. Net assets, including non-controlling interests, increased to £16.8m at 30 September 2021, at which point net cash stood at £4.8m (2020: £5.57m), which is equivalent to 28.5% of net assets (2020: 33.1%).

Cash generated from operations (before working capital changes) was £2.0m (2020: £1.0m). Inventory levels at the year-end increased by £0.64m on 2020. This was mainly due to increased stock held in the UK business because of an increase in material and labour costs during the year and an increase in the goods in transit at year end where we have been trying to maintain our levels of stock to meet demand and overcome supply issues. This reduced cash generated from operations to £1.15m (2020: £2.72m). Cash generated from operations in 2020 also benefited from trade receivables being reduced by £1.7m due to lower 2020 revenues.

Capital expenditure increased to £0.96m (2020: £0.78m) and the Group paid dividends in 2021 in respect of 2020 to the shareholders of Titon Holdings Plc of £0.39m (2020: £0.33m). During the year, Titon Korea paid a further dividend to Titon Holdings Plc and non-controlling shareholders, resulting in £0.39m (2020: £0.69m) of cash being received by

Titon Holdings Plc and a cash outflow from the Group to non-controlling shareholders of Titon Korea of £0.39m (2020: £0.67m).

The overall effect has been a net decrease in the Group's cash reserves in the period of £0.78m (2020: increase of £0.99m). Net current assets at 30 September 2021 were £9.3m (2020: £9.1m) with a Quick Ratio[1] of 1.9 (2020: 2.0). ROCE[2] was 11.7%, as the business returned to more normal trading conditions (2020: 1.4%).

Segment analysis

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

UK and Europe

We started the financial period with significant uncertainty due to two major items: the pandemic and Brexit. The impact of the pandemic has reduced significantly during 2021 as the impact of the vaccination programme has been felt with reductions in hospitalisations and deaths and this has allowed most sectors to function reasonably normally. However, the construction sector has suffered from labour shortages, which have led to delays in projects being started or being paused. In respect of Brexit, we had significant concerns about the impact of the UK leaving the Single Market on 31 December 2020. Although there were some long delays in shipping goods to our European customers early in 2021 these have largely been alleviated and we have worked with our logistics partners to ensure that shipments now proceed smoothly, albeit they are taking a few days more than when we were in the Single Market. I would like to thank all our customers in the EU for their patience in this situation and for continuing to buy our products.

As I noted in the Interim Report we have had to deal with some procurement issues as many basic materials such as plastics, cardboard and metals have all been difficult to find at times. In the second half of the year, we have additionally had challenges in maintaining supplies of components for some of our mechanical ventilation products, which has delayed some of our sales to customers. This is an industry wide problem but has been a source of frustration to us during the year. We have also suffered from price increases for many items and have had to pass these on to our customers, where we can. Revenue from the Hardware business, comprising sales of our trickle vents plus window and door hardware, was higher in the year by 24% as sales into the PVCu, Timber and Aluminium sectors of the UK market recovered after the lockdowns in 2020. Sales of Titon branded door and window hardware products rose by 37% as we introduced new products and converted more customers to our range, which was a positive performance.

In our Ventilation Systems business, revenues from mechanical ventilation products rose by 34% overall as sales to the new build market recovered. Sales in the UK were up by 43%, and a significant part of this was down to the success of the new Titon FireSafe® Air Brick Range; Ventilation Systems sales in mainland Europe were up 18% as our European markets expanded.

Titon continues to invest in research and development which, in turn, yields a continuing number of new products for both the Ventilation Systems and Hardware businesses. We launched the Titon Ultimate® dMEV extract fan early in 2021, which is the first extract fan that we have designed and manufactured ourselves. We expect to release a number of new products across the range in 2022. We have also spent considerable time in sourcing new bought-in products during the year, including a more advanced door cylinder to meet stringent security tests in the UK. We were sorry to learn during the year that Sobinco has decided to sell its window and door hardware products direct to UK systems companies, rather than through Titon, as we have been their sole UK distributor for many years. We have therefore been seeking alternative products and suppliers to replace these lines.

We continue to promote good indoor air quality and welcomed the Government's video released in November 2021 about ventilation, in response to the threat of coronavirus particles in the home. We have worked with our trade association, Beama Ltd, which sponsors the Healthy Homes and Buildings All Party Parliamentary Group and the Air Pollution All Party Parliamentary Group on a number of campaigns during the year to improve ventilation in homes and buildings.

We have been waiting for the publication of 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, these were published on the 15 December 2021 and initial reviews confirm that these are positive for our products.

Looking at the macro-economic picture the Experian UK Construction forecast in October 2021 shows a rise in total housing expenditure of 17.7% against 2020, as the economy recovered and forecasts a further 7.1% increase in 2022. At the same time, the expected value of repair, maintenance and improvement in the private and public residential sectors is forecast to be up by 14.8% in 2021 against 2020, but it then slows in 2022 to show an increase of a more modest 4.2% against 2021.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products. In the 2021 interim results statement we noted the contraction in house building and the delay in a number of building projects and this has continued in the second half and has also been impacted by new Covid-19 restrictions imposed nationally in Korea. These factors have resulted in a reduction in revenue to £3.60m (2020: £4.9m) down 27%, whilst the contribution to Group profit before tax declined to a loss of £14,000 (2020: profit of £0.14m).

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. The loss recognised in respect of associates (which is all in respect of BTS) in 2021 was £28,000 (2020: profit £83,000). In addition to distributing ventilation products in South Korea, BTS invested in and developed properties in the domestic residential real estate market. A further property was sold during the year and a small post-tax profit was realised. BTS no longer holds any direct investments in residential properties. BTS has been engaged in expanding its product range to include mechanical ventilation products and has signed an exclusive distribution agreement with a manufacturer of a hybrid mechanical ventilation product for the Korean market. BTS is now actively marketing this product to its customers but does not expect any meaningful revenue to be realised from this arrangement until the 2022/23 financial period. BTS also intends to supply mechanical heat recovery products to its customers and is working with a product manufacturer to achieve this. 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 (2020: profit £0.22m).

United States

Our US operations represent the smallest geographical segment and results from this business reduced in the period. Sales for the year fell by 19% to £0.63m (2020: £0.78m) as the market continued to be impacted by the pandemic and, while Titon Inc. made a small statutory profit before tax of £29,000 in the full year (2020: loss of £32,000), it did generate a return for our UK manufacturing business and made a positive contribution to Group income.

Board

I was very disappointed to inform you in November that our new CEO, Mat Norris, has decided to leave the Board to take up another role. He will leave Titon in February 2022 at the end of his notice period. We immediately commenced a search for a new CEO and I will keep you informed of progress.

Following the announcement in September of their resignations Kevin Sargeant and Bernd Ratzke have now left the Board. I would like to thank both of them for their counsel and contributions to Titon over their respective times on the Board. We have commenced a search for two independent Non-executive Directors to replace them and further announcements will be made in due course.

The external environment continues to present challenges and it will require us to change the way we do business in order for us to make the progress that shareholders require. Putting in place a new long-term executive management structure, with the support of a strong Board of directors, will play a vital part in this.

Employees

I offer my sincere thanks to all our employees, as the success of the Group is down to their hard work and talents. They have continued to operate via a mixture of home working and returning to the office or factory and have remained upbeat and flexible in the face of the changing regulations during the year. As with last year without their willingness to adapt to the new ways of working we would not have been able to function as well as we have done in the face of the pandemic. My colleagues on the Board also recognise the contribution that they 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. Of particular note, in October 2021 they published a research note entitled "Net Zero Winners: Stock selection in a decarbonising world" focussed on stocks that they believe will benefit from the move to Net Zero. Titon was selected as one of these stocks as they believe that the “fabric first” approach taken by the UK Government will lead to more sales of the MVHR products that we manufacture and sell.

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 and Outlook

Trading in October and November 2021 in the UK and Europe has been at a similar level to the same months in 2020 despite the difficulties caused by the industry-wide supply chain issues. Sales in Korea in October remained subdued.

The UK economy has certainly rebounded from the very significant fall in GDP of 9.9% that it experienced in 2020 with Experian forecasting UK GDP growth in 2021 of 6.6% and 5.4% in 2022. In the housing markets Experian are forecasting expenditure to rise by 16% for public housing and 18% for private housing in 2021 and 6% and 7% increases for 2022 respectively. For Repairs and Maintenance expenditure they are forecasting increases of 10% for public housing in 2021 and 17% for private housing and then growth of 3% and 5% respectively for 2022. These forecasts are positive for our business.

During 2022, we will continue to pursue progress against a range of strategic initiatives. In particular, and in addition to the recruitment of a new CEO, we anticipate making other senior management appointments, as well as making additional mechanical ventilation sales force hires to drive growth in the business. Alongside on-going initiatives to update and improve our production through better resource planning, we intend to launch a new internal ERP system for the UK, European and US operations in early 2022 to allow greater automation of production and sales processes, and better management information.

The biggest risks to our business in 2022 at present are the shortage of materials and components and continuing price increases for these items as well as labour and energy costs. As mentioned above, we have struggled to maintain supplies of components for some of our mechanical ventilation products particularly and there is little sign that this will rapidly improve in 2022. We are doing everything we can to find alternative suppliers and have had some success doing so but the ongoing supply challenges are well publicised issues affecting the whole industry. Whilst this will hold back 2022 performance to some degree, we will continue to do everything we can to manage and alleviate these challenges. Labour costs are also rising and finding good people remains difficult. We are committed to investing in high quality people and we anticipate there will be costs associated with attracting and retaining the best people in the year. Price increases for our components and raw materials will also continue to impact the Group, as with other companies across the sector. We will raise our prices early in 2022 to recover input cost increases but there is likely to be some margin erosion due to the differences in the timing of these changes.

In South Korea, the economy is set to expand in 2022 as the recovery from the pandemic continues. Bank of Korea forecasts GDP growth of 4.0% in 2021 and 3% in 2022 but construction investment is only forecast to grow by 0.9% in 2021 and 2.9% in 2022. As previously noted, we continue to be in a transitionary period for our ventilation products in South Korea as market requirements change.

Of course, the pandemic remains with us, and I also need to mention the possible impact of new variants. We are currently waiting to find out how virulent the new Omicron variant is, and the extent of the UK government’s response to this. Whilst it is too early to draw conclusions, we recognise that at this stage, it could lead to a reduction in economic activity. The impact of expected materials, labour and component shortages combined with price increases means that we anticipate that the business environment will remain challenging for us in 2022. Despite this, we continue to have a very strong balance sheet, talented employees and a good range of products that give us confidence in our medium-term future.

On behalf of the Board.

K A Ritchie
Chairman

20 December 2021

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).*

Unaudited Consolidated Income Statement

for the year ended 30 September 2021

	Note	**2021 £'000**	2020 £'000
Revenue	4	**23,412**	20,652
Cost of sales		**(16,070)**	(15,200)
Grant Income		**8**	202
Gross profit		**7,350**	5,654
Distribution costs		**(1,144)**	(1,289)
Administrative expenses		**(4,521)**	(4,305)
Research and development expenses		**(582)**	(446)
Grant Income		**-**	326
Other income		**16**	21
Operating profit / (loss)		**1,119**	(39)
Finance income		**-**	10
Finance expense		**(16)**	(36)
Share of post-tax (loss) / profit from associate		**(28)**	83
Profit before tax		**1,075**	18
Income tax (expense) / credit	5	**(72)**	104
Profit after income tax		**1,003**	122
Attributable to:			
Equity holders of the parent		**1,028**	58
Non-controlling interest		**(25)**	64
Profit for the year		**1,003**	122
Earnings per share attributed to equity holders of the parent:			
Basic		9.24p	0.52p
Diluted		9.18p	0.52p

Unaudited Consolidated Statement of Comprehensive Income

for the year ended 30 September 2021

	2021 £'000	2020 £'000
Profit for the year	**1,003**	122
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	**(284)**	(62)
Total comprehensive income for the year	**719**	60
Attributable to:		
Equity holders of the parent	**793**	(17)
Non-controlling interest	**(74)**	77
	719	60

Unaudited Consolidated Statement of Financial Position

at 30 September 2021

	2021 £'000	2020 £'000
Assets		
Property, plant and equipment	**3,476**	3,469
Right-of-use assets	**546**	772
Intangible assets	**925**	753
Investments in associates	**2,681**	2,877
Deferred tax assets	**278**	333
Total non-current assets	**7,906**	8,204
Inventories	**5,042**	4,367
Trade and other receivables	**4,224**	3,779
Cash and cash equivalents	**4,794**	5,572
Total current assets	**14,060**	13,718
Total Assets	**21,966**	21,922
Liabilities		
Lease liabilities	**402**	531
Total non-current liabilities	**402**	531
Trade and other payables	**4,554**	4,303
Lease liabilities	**193**	277
Total current liabilities	**4,747**	4,580
Total Liabilities	**5,149**	5,111
Equity		
Share capital	**1,119**	1,113
Share premium reserve	**1,077**	1,049
Capital redemption reserve	**56**	56
Treasury shares	**(27)**	(27)
Foreign exchange reserve	**96**	327
Retained earnings	**14,093**	13,425
Total Equity attributable to equity holders of the parent	**16,414**	15,943
Non-controlling Interest	**403**	868
Total Equity	**16,817**	16,811
Total Liabilities and Equity	**21,966**	21,922

Unaudited Consolidated Statement of Changes in Equity

at 30 September 2021

	Share Capital	Share premium reserve	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 1 October 2019	**1,113**	**1,049**	**56**	**402**	**(27)**	**13,653**	**16,246**	**1,459**	**17,705**
Translation differences on overseas operations	-	-	-	(75)	-	-	**(75)**	13	**(62)**
Profit for the year	-	-	-	-	-	58	**58**	64	**122**
Total Comprehensive income for the year	-	-	-	(75)	-	58	**(17)**	77	**60**
Dividends paid	-	-	-	-	-	(332)	**(332)**	-	**(332)**
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	**-**	(668)	**(668)**
Share-based payment expense	-	-	-	-	-	46	**46**	-	**46**
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**

Unaudited Consolidated Statement of Cash Flows

for the year ended 30 September 2021

	Group	
	2021	2020
	£'000	£'000
Cash generated from operating activities		
Profit before tax	**1,075**	18
Depreciation of property, plant & equipment	**479**	559
Depreciation of right-of-use assets	**164**	257
Amortisation of intangible assets	**240**	236
Profit on sale of plant & equipment	**(7)**	(16)
Share based payment expense – equity settled	**34**	46
Finance income	**-**	(10)
Finance costs	**16**	36
Share of associate's post-tax loss / (profit)	**28**	(83)
	2,029	1,043
(Increase) / decrease in inventories	**(640)**	519
(Increase) / decrease in receivables	**(428)**	1,667
Increase / (decrease) in payables and other current liabilities	**206**	(468)
Cash generated by operations	**1,167**	2,761
Income taxes paid	**(22)**	(43)
Net cash generated by operating activities	**1,145**	2,718
Cash flows from investing activities		
Purchase of plant & equipment	**(502)**	(246)
Purchase of intangible assets	**(412)**	(271)
Proceeds from sale of plant & equipment	**25**	46
Finance income	**-**	10
Net cash used in investing activities	**(889)**	(461)
Cash flows from financing activities		
Dividends paid to equity shareholders of the parent	**(390)**	(332)
Dividends paid to non-controlling shareholders of a subsidiary	**(391)**	(668)
Payment of lease liability	**(198)**	(261)
Finance costs	**(16)**	(36)
Exercise of share options	**34**	-
Net cash used in financing activities	**(961)**	(1,297)
Net (decrease) / increase in cash*	**(709)**	960
Foreign exchange	**(69)**	25
Cash at beginning of the year	**5,572**	4,587
Cash at end of the year	**4,794**	5,572

Notes to the Unaudited Financial Statements

1 Basis of preparation

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 Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered potential scenarios arising from the Covid-19 pandemic and from its other principal risks.

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 judgement in applying the Group's accounting policies.

During the period, no new standards, amendments, and interpretations to existing standards were published. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The information in this preliminary announcement does not constitute the statutory accounts of the Group and Parent Company within the meaning of Section 435 of the Companies Act 2006 for the year ended 30 September 2021 or 2020.

The financial information for the year ended 30 September 2020 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The financial information for the year ended 30 September 2021 is unaudited. The statutory accounts for that year will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 23 February 2022.

2 Earnings per ordinary share

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

	2021 **£'000**	2020 £'000
Numerator		
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	**1,028**	58
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**11,124,517**	11,083,750
Effect of dilutive potential ordinary shares: share options	**74,610**	83,375
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,199,127**	11,167,125
Earnings per share (pence)		
Basic	9.24p	0.52p
Diluted	9.18p	0.52p

3 Dividends

	2021	2020
	£'000	£'000
Final 2020 dividend of 2.0 pence (2019: 3.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**223**	332
Interim dividend of 1.5 pence (2020: 0.00 pence) per ordinary share paid during the year	**167**	-
	390	332

The Directors are proposing a final dividend of 3.0 pence (2020: 2.0 pence) per share. This will result in a final dividend totalling £334,313 (2020: £221,675), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

4 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:

	2021	2020
	£'000	£'000
Deferred Revenue at beginning of year	**478**	687
Released in the year	**(478)**	(687)
Provided for in the year	**443**	478
Deferred Revenue at end of year	**443**	478

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.

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.

Operating segment

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

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 charge					(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)	915	21	-	-	936

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 above 10% during the year.

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

Operating segment

For the year ended 30 September 2020	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	12,570	4,919	777	2,751	21,017
Inter-segment revenue	(365)	-	-	-	(365)
Total Revenue	**12,205**	**4,919**	**777**	**2,751**	**20,652**
Segment profit/(loss)	(205)	222	182	(181)	18
Tax credit					104
Profit for the year					**122**
Depreciation and amortisation	891	161	-	-	1,052
Total assets	**15,555**	**6,058**	**309**	**-**	**21,922**
Total assets include: Investments in associates	2,877	-	-	-	2,877
Additions to non-current assets (other than financial instruments and deferred tax assets)	481	297	-	-	778

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 £83,000.

Sales to BTS of £4.92m represented 24% of Group Revenue (2019: £8.33m – 38%). There are no other concentrations of revenue above 10% during the year.

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 2020	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	14,956	-	777	4,919	-	20,652
By country from which derived	12,205	2,694	777	4,919	57	20,652
Non-current assets						
By entities' country of domicile	4,903	-	40	3,261	-	8,204

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.

	2021 £'000	2020 £'000
Trickle ventilation and window and door hardware products	**14,672**	14,593
Mechanical ventilation products	**8,740**	6,059
Revenue	**23,412**	20,652

5 Tax (expense) / credit

	2021 £'000	2020 £'000
Current income tax:		
Corporation tax expense	**(22)**	(38)
Adjustment in respect of prior years	**-**	7
	(22)	(31)
Deferred tax:		
Origination and reversal of temporary differences	**(50)**	135
Income tax (expense) / credit	**(72)**	104

	2021	2020
The charge for the year can be reconciled to the profit per the income statement as follows:	**£'000**	£'000
Profit before tax	**1,075**	18
Effect of:		
Expected tax charge based on the standard rate of Corporation tax in the UK of 19% (2020: 19%)	**(204)**	(4)
Additional deduction for R&D expenditure	**167**	171
Effect of Associate's results reported net of tax	**(5)**	16
Expenses deductible for tax purposes	**(8)**	(28)
Difference in overseas tax rates	**(22)**	(44)
Adjustments in respect of prior periods	**-**	(7)
Income tax (expense) / credit	**(72)**	104

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.

6 Principal risk and uncertainties

The key financial and non-financial risks faced by the Group are disclosed in the Group's Annual Report and Accounts for the year ended 30 September 2020 within the Report on Risk Management (pages 16 to 18) available at www.titon.com/uk/investors/. The Board considers that these remain a current reflection of the risks and uncertainties facing the business.