

25 January 2024

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Titon Holdings Plc

Final results for the year to 30 September 2023

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 2023 ("FY23").

Summary Financial Results*

	FY23	FY22	Change (%)
Net revenue	£22.33m	£22.09m	1.1%
Underlying** EBITDA	£0.43m	£0.14m	207.1%
Underlying** Group loss before tax	£(0.80)m	£(0.60)m	-33.3%
Loss per share	(6.01)p	(3.89)p	-54.5%
Full year dividends per share	1.0p	2.0p	-50.0%
Net cash	£2.24m	£1.73m	29.5%

- Net revenue increased by 1.1% to £22.33 million (2022: £22.09 million)
- Gross margin of 26.5% (2022: 26.4%) as input cost inflation abated and customer price increases were implemented to maintain margins.
- Underlying EBITDA of £0.43 million (2022: £0.14 million) as trading in UK and Europe through to the end of FY22/23 surpassed the Group's expectations.
- Underlying Group loss before tax of £0.80 million (2022 loss before tax: £0.60 million), principally reflecting on-going weaker trading conditions in South Korea.
- Proposed final dividend of 0.5 pence per share (2022: 0.5 pence) in addition to the interim dividend of 0.5p (2022: 1.5 pence).
- Strong balance sheet maintained at the period end with net cash of £2.24 million, no financial debt, net assets of £14.76 million at 30 September 2023 (2022: £15.95 million) and net current assets of £7.96 million (2022: £7.59 million).

Operational and divisional highlights

- Revenue from the Hardware division, comprising sales of our background ventilators plus window and door hardware, was lower in the year by 8% as the effect of the ending of our supplier relationship with Sobinco was fully recognised.
- Mechanical ventilation systems revenues rose overall by 17%. UK sales rose by 3% as customer demand for our products grew slowly whilst sales into mainland Europe rose by 71%, as our manufacturing processes improved after component shortages in 2022.
- In the South Korean market, revenues fell by 18% as a result of the continuing weak housing market and shift in market demand to mechanical ventilation products from natural ventilation.
- Working capital carefully managed to reduce stock levels and improve cash generation, reflecting the investment in people and processes.
- Continued development of the ERP system to deliver further improvements to business processes.
- Recruitment completed for key leadership roles in Operations, Commercial, and Research and Development alongside a strengthened sales team to increase our market presence.
- The Group continued its focus on product development with several new products launched in 2023, gaining industry recognition as our HRV4.25 product won Domestic Ventilation Product of the Year at the Energy Savings Awards 2023.

Current trading and outlook

- The Board remains confident in the medium and long-term 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.
- Our new Chief Executive will complete our enhanced leadership team. Management's continuing focus is on driving efficiencies and improved customer service through the implementation of our business imperatives and the delivery of lean principles and practices which we believe will enable the Group to return to sustained profitability.
- Operating profit in the first quarter of the current financial year to 30 September 2024 in UK and Europe was in line with the Board's expectations, but sales were lower than Q1 FY23, reflecting a slowdown in the new build market, with profit performance mitigated by an improved gross margin and careful management of overheads.
- We anticipate that the macro-economic backdrop in our UK and European markets will continue to be uncertain and challenging in 2024 and that consumer demand for home improvements will remain subdued.
- We do not expect that trading in South Korea will materially improve in 2024. However, we are working to streamline the corporate structure and operations which will reduce costs.

Commenting, Chief Financial Officer, Carolyn Isom, said:

"Whilst it has been another challenging year, I have been inspired by the dedication and commitment of our employees here at Titon. We have had to manage another period without a Chief Executive, but the strength of our senior leadership team has shone through, and we very much look forward to welcoming Tom Carpenter, our recently appointed Chief Executive, into the team in April 2024. We believe he is a great fit for Titon and will bring the leadership required to continue to build on the foundations already in place.

At the beginning of the year, we reported that we had identified several business imperatives that we would focus on in the UK, and I am pleased that we have made significant progress in most areas. We have revised the business imperatives for the coming year, and we are now starting our strategic planning process, aiming to have a 3–5-year strategy by the end of FY24.

Following resolution of the issues we previously encountered both with the implementation of our new ERP system and the worldwide supply chain constraints, we are pleased we have been able to return to providing the service levels historically enjoyed by our loyal customer base. We continue to develop award winning products as we look to grow our market share in the ventilation market.

We have a strong balance sheet, talented employees and a good range and pipeline of products that give us confidence in our future."

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The full text of the Report and Accounts for the year to 30 September 2023 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/10/2024/01/Annual-Report-and-Financial-Statements-2023pdf.pdf>

** Non IFRS measures included*

***Excludes exceptional items of £0.04m for restructuring costs*

Annual Report and Financial Statements

for the year ended 30 September 2023

Chair's Statement

I would like to start by expressing my thanks to my fellow Titon Board members for the warm welcome they have given me since joining the Board this month. Additionally, on behalf of the entire Board, I extend our sincere thanks to Keith Ritchie for his commitment and robust support to Titon throughout his tenure of eleven years as Chair. I will be spending time getting up to speed on our people, products and markets over the next few months. I look forward to meeting as many shareholders as possible at the Annual General Meeting in March.

Profit and loss

In the year ended 30 September 2023, the Group's net revenue (which excludes inter-segment activity) increased by 1.1% to £22.3m (2022: £22.1m).

The Group's gross margin increased marginally from 26.4% in 2022 to 26.5% in 2023. We suffered an underlying operating loss in the period before exceptional items of £537,000 (2022: £770,000); including exceptional items the operating loss was £576,000 (2022: £1,119,000). Underlying EBITDA¹ improved to £431,000 (2022: £143,000) and including exceptional items EBITDA was £392,000 (2022: loss £206,000).

Net finance interest cost amounted to £14,000 (2022: £7,000). The share of profits from the Group's South Korean associate, Browntech Sales Co. Limited ("BTS"), fell from a profit of £173,000 in 2022 to a loss of £241,000 in 2023 due to the very challenging market conditions and the continued slow transition to mechanical ventilation in South Korea in the period. As a result of the operating loss in the UK, including exceptional items the Group loss before tax was £839,000 (2022 loss before tax: £953,000).

Basic statutory loss per share for the year was 6.01 pence (2022: loss of 3.89 pence).

An interim dividend of 0.5 pence per share was paid in the year to 30 September 2023 and the Directors are proposing a final dividend of 0.5 pence per share (2022: 0.5 pence). The total dividend for the year will therefore be 1.0 pence per share (2022: 2.0 pence). If approved by shareholders at the forthcoming Annual General Meeting on 26 March 2024, the dividend will be payable on 5 April 2024 to shareholders on the register at 23 February 2024. The ex-dividend date is 22 February 2024.

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 £14.76m at 30 September 2023 (2022: £16.0m), with net cash at £2.2m (2022: £1.7m), which is equivalent to 15.2% of net assets (2022: 10.8%).

Cash generated from operations before working capital changes was £0.3m (2022: £0.07m cash used). Inventory levels at the year-end decreased by 6.6% or £0.4m on 2022. This reflected the hard work undertaken by the supply chain team to reduce stock levels, albeit more work is required in this respect in 2024. Together with a £1.3m decrease in receivables, cash generated from operations improved to an inflow of £0.9m in the year (2022: outflow of £1.8m). A continuing focus and business imperative for the current financial year is to improve the underlying performance of the business and reduce stock levels to augment our net cash position and return the business to profitability.

Capital expenditure in the year was £0.64m (2022: £0.67m) and the Group paid dividends in 2023 in respect of 2022 to the shareholders of Titon Holdings Plc of £0.11m (2022: £0.50m). During the year, we received a dividend of £0.29m from our associate company in South Korea, BTS.

The overall effect has been a net increase in the Group's cash reserves in the period of £0.51m (2022: decrease of £3.07m). Net current assets at 30 September 2023 were £7.9m (2022: £7.6m) with a Quick Ratio² of 1.4 (2022: 1.2).

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

UK and Europe contributes 85.0% of our overall business revenue (2022: 83.8%). As was noted in the Interim Report, the business environment has been challenging throughout the financial year with a weaker housing market, impacting demand for our products. However, performance in the UK and Europe in the second half of the year surpassed expectations, due to managing our cost base and achieving improved margins.

I am pleased to report that the cost increases that we suffered during FY22 have abated and we have been able to pass on price increases to customers so that our margins have been maintained for Titon manufactured products and increased for bought in products.

Revenue from the Hardware division, comprising sales of our background ventilators plus window and door hardware, was lower in the year by 8% as the effect of the ending of our supplier relationship with Sobinco was fully recognised. We are continuing to develop new and existing branded supplier partnerships, but this has not offset the impact of the loss.

In our Ventilation Systems division, revenues from mechanical ventilation products rose by 17% overall as we improved our supply chain and processes. Sales in the UK were up by 3%, with the Titon FireSafe® Air Brick range continuing to be popular with customers. Ventilation Systems sales in mainland Europe were up 71% as our supply chains improved. We thank all our customers for their patience during the year.

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 recently launched new Mechanical Ventilation with Heat Recovery Products, the HRV4 and HRV4.25 to address specific opportunities in the market and we are delighted that the HRV4.25 recently won the Domestic Ventilation Product of the Year at the Energy Savings Awards 2023.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products. In the 2023 interim results statement we noted that trading conditions would remain difficult and that losses would continue due to a slowdown in the housing marketing activity which continued in the second half. These factors have resulted in a reduction in revenue to £0.5m (2022: £3.0m) and the contribution to Group loss before tax further increased to a loss of £404,000 (2022: loss of £209,000).

The Group's associate company (49% owned), 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 2023 was £241,000 (2022: profit £173,000). Taking

Titon Korea and BTS together, South Korea made a negative contribution of £0.64m to the Group's loss before tax for the year (2022: loss £0.04m).

United States

Our US operations represent the smallest geographical segment and results improved in the period. Sales in the year increased by 59% to £0.84m (2022: £0.53m) as the market improved in the period. Titon Inc. made a statutory profit before tax of £69,000 in the full year (2022: loss of £26,000) and contributed a margin to our UK manufacturing business.

Board

As we noted in the Interim Report Alexandra French stepped down from her role as Chief Executive and left the Board with immediate effect in April 2023. We immediately commenced a recruitment process, and the Board was pleased to announce in November the appointment of Tom Carpenter, as our new Chief Executive. Tom is currently serving his notice period with his current employer and will join Titon in late April 2024.

As announced on 29 November Keith Ritchie announced his decision to retire and step down as Non-Executive Chair with immediate effect and as a Non-Executive Director on 28 February 2024. He stepped back from executive responsibilities in October 2022 after ten years at Titon. The Board wishes to express its sincere gratitude and thanks to Keith for his significant commitment, service and contribution to Titon over the last eleven years and wish him well when he retires from the Board. Paul Hooper replaced Keith as Chair on an interim basis pending the appointment of a permanent replacement and I took over the Chair role following my appointment to the Board on 2 January 2024.

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 another challenging year.

Employees

I offer my sincere thanks to all our employees for their hard work and skills they have shown, particularly in the difficult trading conditions we have seen during the year. I would also like to welcome all 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

We note the presence of Rockwood Strategic PLC, a company managed by Harwood Capital LLP, as a 27% shareholder in Titon and look forward to driving returns for all shareholders.

Shore Capital, our Nominated Adviser and Broker, has continued to write research coverage on Titon during the year and we also thank them for their sound financial advice during the year. We welcome all contributions from shareholders and look forward to meeting them at the Annual General Meeting in March.

Current Trading and Outlook

UK and Europe

Sales in the first quarter of the current financial year to 30 September 2024 ("FY24") in UK and Europe are lower than the comparative quarter in FY23 and our expectations, reflecting the slowdown in the new build market. However, the effect of the lower sales on the overall performance has been mitigated by achieving a higher margin and through managing overheads and operating profit was in line with our expectations for the quarter.

We enter 2024 with the Office for Budget Responsibility forecasting very low growth in UK GDP of 0.7% for 2024 due to the squeeze on real wages, the reduction in levels of government support and higher interest rates. In the housing markets the Construction Products Association is forecasting total housing expenditure including repairs, maintenance and improvements to be flat in 2024 against 2023 with only a 3.2% improvement in 2025.

In 2023, we identified a number of business imperatives that we wanted to deliver during the year and we report on progress against them in the Strategic Report. We also started work on a review of the business strategy so that we can plan and steer the growth of the business in the medium term and enable the Group to return to sustained profitability. This will be a key task for our new Chief Executive when he starts at Titon, working alongside our Senior Leadership Team. We still believe that here are significant opportunities for Titon as the key role that ventilation provides for indoor air quality and public health becomes more appreciated.

South Korea

In South Korea, The Bank of Korea forecasts GDP growth for 2023 will be 1.4%, and for 2024 is projected to increase to 2.1% due to the easing of sluggishness of exports. However, they note that consumption recovery has been slow, which weighs heavily on the construction sector.

Sales in South Korea in Q1 FY24 were in line with our expectations. Titon Korea is expected to remain loss-making in FY24 due to the continuing challenging conditions in that market, and the Group is taking steps to progress its plan to streamline the Korean corporate structure and operations.

Outlook

The outlook for the global economy in 2024 is difficult to predict with many macro issues continuing alongside a weak economy which is constraining consumers leading to a reduced demand for replacement windows and doors. Therefore, for our UK and European markets we expect that the business environment will remain challenging for us in 2024 and we remain in a transitional period in South Korea. Despite these challenges, we continue to have a strong balance sheet, talented employees, a high-quality range of products and a good pipeline of new products that give us confidence in our medium-term future.

On behalf of the Board.

J Brooke
Chair

24 January 2024

Notes:

(Non IFRS GAAP measures)

¹ EBITDA is measured as operating profit before net finance costs, tax, depreciation and amortisation. Underlying EBITDA is EBITDA adjusted for exceptional items such as restructuring costs, as shown in note 26.

² The Quick Ratio measures liquidity and is calculated as follows: Current Assets-less-Stocks divided by Current Liabilities

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 Carolyn Isom, Chief Financial Officer

"Whilst it has been another challenging year, I have been inspired by the dedication and commitment of our employees here at Titon. We have had to manage another period without a Chief Executive, but the strength of our senior leadership team has shone through, and we very much look forward to welcoming Tom Carpenter into the team in April 2024. We believe he is a great fit for Titon and will bring the leadership required to continue to build on the foundations already in place.

At the beginning of the year, we reported that we had identified several business imperatives that we would focus on in the UK, and I am pleased that we have made significant progress in most areas. We have revised the business imperatives for the coming year, and we are now starting our strategic planning process, aiming to have a 3–5-year strategy by the end of FY24.

Following resolution of the issues we previously encountered both with the implementation of our new ERP system and the worldwide supply chain constraints, we are pleased we have been able to return to providing the service levels historically enjoyed by our loyal customer base, and manufacture and deliver our high-quality products on time. We continue to develop award winning products as we look to grow our market share in the ventilation market.

The senior leadership team and I would like to wish Keith Ritchie all the best in his retirement from March 2024. He has provided a great deal of support and continuity through some challenging times at Titon, and he will be missed by all in the UK and in Korea."

Summary

Revenue increase of 1.1% to £22.3m (2022: £22.1m)

Group loss before tax of £839,000 (2022 loss before tax: £953,000)

Group underlying loss before tax of £800,000 (2022: underlying loss of £604,000)

Loss per share of 6.01 pence (2022: loss of 3.89 pence)

Year-end net cash balances of £2.2m (2022: £1.7m)

Total dividend for the year of 1.0 pence per share (2022: 2.0 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 (background ventilators) 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 background ventilator market in the UK, background ventilators 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 Financial Officer'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 47. A summary of the results along with other selected Key Performance Indicators ("KPIs") is as follows:

	2023 £'000	2022 £'000
Revenue	22,334	22,087
Loss before tax	(839)	(953)
Tax (expense) / credit	(86)	410
Loss after tax	(925)	(543)
Revenue per employee	111	108
Loss after tax per employee	(4.5)	(2.6)
Year-end net cash and cash equivalents	2,238	1,726

Group Revenue has increased by 1.1% to £22.3m (2022: £22.1m) and the Group has posted an underlying loss before tax (excluding exceptional items) of £0.8m (2022: underlying loss before tax of £0.6m) and a Group loss before tax including exceptional items of £0.84m (2022: loss before tax £0.95m). A full review of the Group's performance during the year is given in the Chair's Statement.

While the loss before tax was only marginally improved on last year, there have been some significant improvements in particular entities. The loss before tax for the year in FY22 included £0.9m relating to UK, Europe and America compared to a much improved £0.19m in FY23. However, business performance in South Korea remains below previous levels due to a slowing in the housing construction market and an ongoing change in product requirements. The combined loss before tax in FY23 for both Korean entities, was £0.65m against a small loss of £0.03m in FY22.

Our trading in UK and Europe was affected for part of the year as we sought to catch up on production arrears caused by unforeseen operational impacts associated with the implementation of a new internal ERP system. In H2 these issues were resolved, and we resumed business as usual. We also previously reported that we were being severely affected by worldwide supply chain issues with component shortages and that eased this year. We have continued to manage our margins that have been affected by increased material prices, energy and labour costs.

Organisational structure

We have continued to strengthen our senior leadership team and we were successful in our recruitment for a Commercial Director. This role leads sales, marketing and customer service for UK and Europe across both the Hardware and Ventilation Systems divisions and will play a vital role in setting our business strategy and assisting us in hitting its financial targets in FY24.

We look forward to the arrival of Tom Carpenter, our new Chief Executive, in April 2024 to complete our senior leadership team.






Goals and strategy

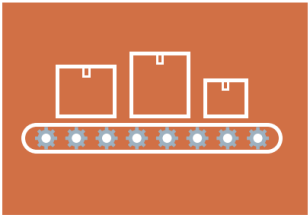

We seek to provide high quality ventilation systems and we are passionate to improve indoor air quality to ensure our customers feel safe, feel secure and breathe easy.

During 2024, 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 refined set of 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	What are we doing to achieve it?
Environmental Health & Safety 	<ul style="list-style-type: none"> - ensure the health, safety and wellbeing of all our employees 	<ul style="list-style-type: none"> - establishing Incident Rate tracking and reporting - IOSH training for all senior members of staff and first line managers and supervisors - EHS SharePoint live for Risk assessments, EHS training matrices and EHS resources - revised and updated EHS compliance dashboard
People 	<ul style="list-style-type: none"> - enhance the employee experience - create an environment where everyone can bring their best to work - recognise effort, contribution and achievement 	<ul style="list-style-type: none"> - implementing a people strategy integral to the overall business strategy - producing development plans for all staff to prepare for succession and skill enhancement - introducing a transparent pay, reward and recognition structure - enhancing non-financial benefits and wellbeing initiatives
Customer 	<ul style="list-style-type: none"> - grow revenue and margin - improve customer experience - win new business 	<ul style="list-style-type: none"> - developing the commercial strategy - implementing the new CRM system - growing our sales pipeline - implementing a consistent pricing strategy for all areas of the business

Delivery 	<ul style="list-style-type: none"> - deliver quality products and processes - deliver on time and in full - reduce inventory to generate cash - introducing non-conformance reporting process, linked to CRM - removing / reducing slow moving and obsolete inventory - introducing demand forecasting - scheduling achievement targets in all areas of production
Innovation 	<ul style="list-style-type: none"> - provide technical leadership - develop innovative products - improve business processes - launching several key new products to the market in FY24 - developing the product strategy - driving efficiency through product rationalisation - standardising particular product ranges

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 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 55% of Group revenue in 2023 (2022: 62%); and
- (ii) the mechanical Ventilation Systems division, which the Group entered 15 years ago in 2007 and which accounted for 45% of revenue in 2023 (2022: 38%). See Business Segmentation information on page 61.

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 4% of Group revenues during the year (2022: 2%).

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 71% (2022: 61%) of overall Group turnover and products manufactured in South Korea account for 11% (2022: 18%). The remaining 18% (2022: 21%) 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 we look forward to innovation in our products, processes and business model. Maintaining quality, predicting trends, diversifying offerings and generating intellectual capital remain in focus ensuring the business stays competitive. At the same time we are very aware of the need to keep in step with challenges concerning cost, technological evolution and regulatory change. Beyond this is R&D's contribution to long-term viability where we will foster a culture of innovation and learning by attracting talent, growing our industry leadership and promote a mindset driving economic growth. Improvement to our business processes will continue in 2024 as we identify opportunities to introduce efficiencies, better manage risk and increase value in what we deliver.



Investment in research and development was £467,000 during the year (2022: £629,000), amounting to 2% of sales (2022: 3%). We saw an increase in spend in the prior year due to increased testing costs as we approved and released alternative components during worldwide supply chain shortages.

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

During 2024, 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.

These are some of our recent development and new product highlights:



Added to the range of Titon FireSafe® Air Brick in 2023 is the Titon FireSafe® 100m Round Push Through Wall Kit. Winner of the Ancillary Product of the Year at the prestigious HRV Awards 2023. This product extends the Titon range of FireSafe airbricks introducing a new kit ideal for residential applications in social housing, new build and refurbishment. Developed to work with Titon's energy efficient constant flow Ultimate® dMEV fan.



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). 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 2023 we have developed an upgraded version, the Ultimate dMEV "I" which replaces the original unit. This adds new features demanded by the UK market and others aimed at success in Europe.



2023 has seen the launch and first sales of Hexalok, a lock for sliding doors and the first door lock developed by us in-house. It features six locking points for added security in the increasingly popular aluminium residential sliding door market and has been designed to replace business products, formerly bought in, at a more competitive price point.



The Window and Door Hardware R&D team also completed work on the Terminus security multi-point lock for aluminium windows, again a growing sector of the residential window market. Close work with target customers ensured immediate orders for the product.



Work continued within our partnership with Roto, one of the largest hardware brands in the world, and we have customised their tilt and turn hardware range and have a Titon centric offering to suit the UK target aluminium systems company and fabricator audience. First sales have been realised and we have budgeted to increase those in FY24. The added benefit of our relationship with Roto is that it will in the future give us access to their portfolio of products for all window and door types.



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.

In 2023 we have seen new Titon HRV and dMEV products added to those already supported by the mobile phone App.

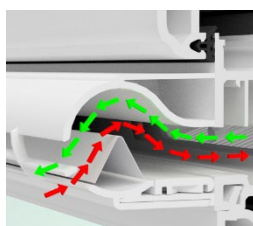


During 2023, our popular range of MVHR units were upgraded with the introduction of models HRV4 and HRV4.25. These are compact units which offer cutting edge performance, high airflow coupled with extremely low Specific Fans Power and high efficiency heat exchange capabilities. These support connectivity via the Titon App and to facilitate installation into complex whole-house systems, a MODBUS interface is now provided as an option.

We are developing units for the Ventilation Systems MVHR range capable of a constant flow operation which will allow the unit to maintain a set airflow even when filters become partially blocked or the duct system changed. This is an emerging requirement, already common in European territories, for which we expect demand to increase.



An addition to the HRV range, employing the HRV4.25 unit, is the HRV Cool Plus product. Today our homes are built to be energy efficient in winter months with increased levels of insulation and air tightness. However recent changes to the UK weather and increased summer temperatures can give rise to overheating in modern properties. The HRV Cool Plus is mounted above the main HRV unit and provides up to 1.8kW of cooling as a means of combating overheating.



During the year we have developed and patented a self-regulating background ventilator, called the Active Vent and we are currently working on our launch plan. This vent can respond to an increase in outside air pressure and maintain a constant airflow into the property.

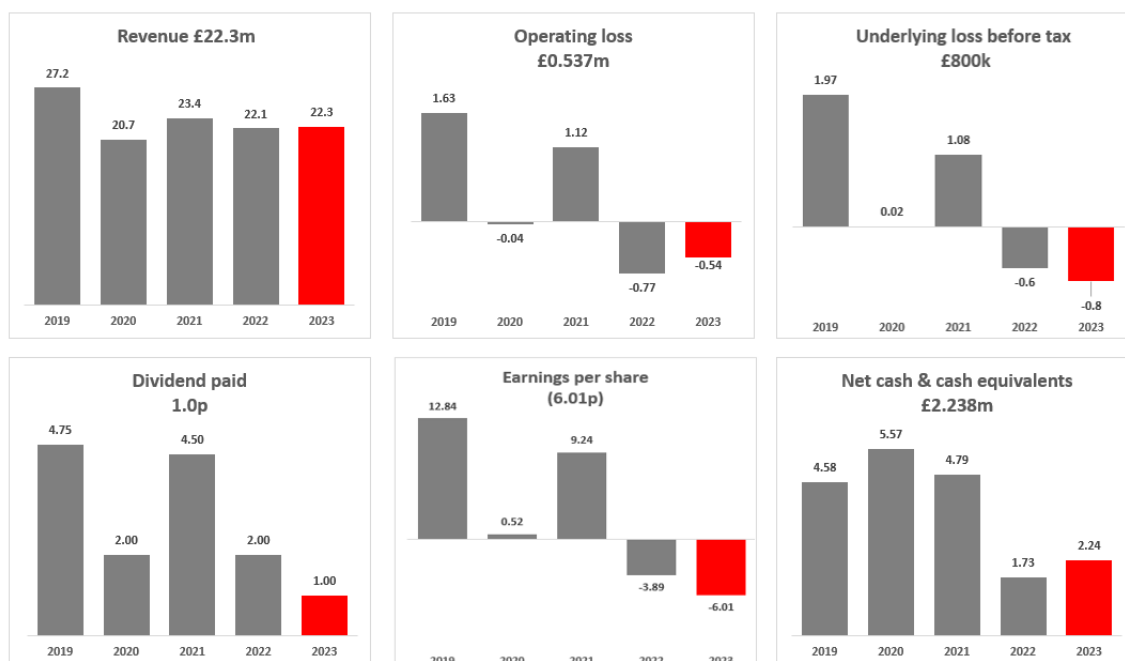
Key Performance Indicators (KPIs)

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 weekly (at divisional management levels and operating segments)
Sales to customers	Top 25 customers (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 monthly by Board and by senior management
Working capital	Inventory, average debtor days and average creditor days reviewed monthly by Board and senior management

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



2022/23 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 backlog of orders caused by the implementation of the new ERP system in FY22 in UK and Europe were cleared in H1, and we returned to delivering on time, in full.
- Significant improvement in working capital including stock levels and cash generation, reflecting the investment in people and processes.
- Continued development of the ERP system to deliver further improvements to business processes.
- Recruitment was completed for key new leadership roles in Operations, Commercial, and Research and Development. We also strengthened our external sales team in several key areas to increase our market presence.

- Development up to launch for several new key products including the HRV4 and HRV4.25, the Titon FireSafe® 100m Round Push Through Wall Kit and the Hexalock door lock product.
- In the UK sales of background ventilators were marginally up on the prior year. However, sales of bought in hardware products fell by 26% as our supplier agreement with Sobinco came to an end following its decision to sell its range 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 continue to see our window and door hardware sales improve next year as a result of this.
- With supply chain constraints lifting, we saw sales of Ventilation System products and services in the UK increase by 17% in the period against prior year. Sales to continental Europe and the rest of the world were also up by 71%.
- Sales to Titon Inc. in the US were 58% above the prior year as their market conditions improved.
- Sales in Korea of natural ventilation products were 18% 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 continued to enhance leaner, more efficient processes for some of our manufacturing activities to increase output to support future growth. We have made further improvements in our 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 continued to put considerable attention on improving our culture and focus on health and safety with positive results and this including strengthening our Environment, Health and Safety team.
- Employee numbers decreased during the period from 209 in September 2022 to 183 in September 2023. In Korea we saw a small reduction in people to align with the continued market contraction and a bigger reduction in the UK as we experienced a slowdown in demand, after clearing our backlog.

2023/24 activities

The focus for 2023/2024 is to return to profit through delivery of the business imperatives outlined in the goals and strategy section on pages 7 to 9. We have set budgets for all regions and divisions of our Group which reflect our view of market conditions: the continued positive impact from the revisions of building regulations and associated standards and our internal growth ambitions. Specific initiatives for the current fiscal year include:

- Continuing delivery of all business imperatives.
- Develop our Group strategy which will include a committed focus on ESG.
- Increase our penetration into the residential mechanical ventilation market in the UK through increased sales to new and existing customers.
- We will respond and work within our industry trade bodies to the proposed Future New Homes Standard and the Home Energy Modelling (the proposed replacement for SAP). The proposed revised building regulations and associated standards published in December 2023 for the UK drive towards increasingly more airtight dwellings for energy efficiency.
- The recently launched award-winning HRV4.25 and HRV4 MVHR units were developed to meet the performance levels required by the new regulations and we have already seen strong demand for these products. In addition, we are currently launching an MVHR cooler unit in response to the emphasis on the prevention of overheating in dwellings in the current regulatory framework.
- Refine our strategy for the social housing market with existing products, 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 background ventilators to be fitted in replacement windows in many more applications. Previous capital investment and operational efficiency improvements are now being utilised to gain growth in the relevant sectors.
- Increase market share of Titon branded hardware, particularly our new door lock, advanced door cylinder and friction hinges, and further develop the new supplier relationship 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.
- 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. We intend to disclose as much as possible of our climate related activities.

We asked the question in last year's Annual Report about the how Titon makes the world a better place and the provision of fresh, clean air really answers this question comprehensively. Nothing has changed this belief in 2023, indeed the incidences of poorly ventilated housing, especially in the social housing and private rental markets means that good ventilation is even more necessary than before. Our ventilation products

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.

During the financial year Titon joined forces with a Carbon Partner, Auditel, to deliver our objective of becoming Carbon Neutral while on our longer-term journey to reaching Net Zero. This will be initially a three-year programme to calculate our Scope 1,2 and 3 emissions, which will be increasingly necessary to meet customer requests, and will also focus on additional actions we can take to reduce those emissions. We look forward to working with our supply chain to reduce the Scope 3 emissions as they will form the largest part of our overall emissions.

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 5% in 2023 against 2022 whilst UK gas usage increased by 1%. UK motor vehicle fuel usage has decreased by 9% over 2022.

In accordance with Statutory Instrument 2008/410 the Group presents the following information in respect of its CO₂ emissions during the period.

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

	2023	2022
Source:	tCO ₂ e	tCO ₂ e
Combustion of fuel and operation of facilities	532	535
Electricity, heat, steam and cooling purchased for own use	216	235
Total tonnes of CO ₂ equivalent	748	770
CO ₂ emissions normalised per £ million of sales of manufactured products	40.9	45.6

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 generate 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.
- 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 targeted to reduce waste to landfill from the Haverhill production site by 50% by end 2023 which we achieved, and we have set the same target for 2024, 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.

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:

	2023	2023	2023	2022	2022	2022
	Male	Female	Total	Male	Female	Total
Directors	5	1	6	5	2	7
Senior Managers	6	2	8	6	2	8
Other	111	58	169	121	73	194
Total	122	61	183	132	77	209

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 34 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. There is a new QCA code for 2024 and we will apply this to our own governance in the current period.

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

2023, we continued to 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 2022 51 reported accidents, 0 RIDDOR reported
- January to December 2023 54 reported accidents, 0 RIDDOR reported

Compared to 2022, we have seen a similar number of accidents reported in 2023, and the vast majority of these have been minor. Our continued focus on a 'safety first' culture means we actively encourage the reporting of all incidents, no matter how minor, so that we can track trends and root causes, which are reviewed monthly by our internal health and safety committee and representatives. We also have a robust hazard reporting process in place where anyone can identify a hazard and, where possible resolve it. During 2023 over 700 individual hazards (risks) were reported with over 80% resolved immediately, with the remainder escalated for resolution by a capable person. The group is very pleased to see that our safety culture continues to improve, that all incidents are properly reported and investigated, and that hazard reporting and resolution will help 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 2023, we had reached 1,871 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

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 2023, 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:

Stakeholder Group	Why do we engage with them?	How does the Board engage with them?
Shareholders	<p>The Board needs to know investors' views so they can be considered when making strategic and governance decisions.</p> <p>We aim to provide fair, balanced and understandable information about the business to enable informed investment decisions to be made.</p>	<p>We have regular dialogue with institutional Investors and individual shareholders in order to develop an understanding of their views.</p> <p>We listen to the views of our Nominated Adviser in this respect.</p> <p>Our AGM is an important forum for private shareholders to meet the board and ask any questions they may have.</p> <p>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.</p> <p>We use Investor Meet Company to present our interim and final results presentations each year.</p>
Employees	<p>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.</p> <p>We have the highest regard for the health, safety and wellbeing of our employees.</p>	<p>We engage with our employees through site communications, consultation with employees, briefings, question boxes, performance reviews, surveys, newsletters and notice boards.</p> <p>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.</p> <p>We have another employee survey planned for 2024.</p> <p>We continue to make every effort to protect our employees.</p>
Customers	<p>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.</p>	<p>We engage with our customers through:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>	<p>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.</p>

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.	<p>We provide ventilation products that are beneficial to health and that are better for the environment.</p> <p>Many of our capital expenditure projects focus on improving energy efficiency and reducing environmental emissions from our factories.</p> <p>We have ISO 14001 Accreditation in the UK.</p> <p>We work with our stakeholders to promote good indoor air quality.</p> <p>We support local charities through fundraising and donations.</p>
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.	<p>We participate in industry bodies and working groups and our directors chair ventilation groups within the trade associations.</p> <p>We attend All-Party Parliamentary Groups and plenary sessions.</p> <p>We participate in and respond to industry and government consultations.</p>

Application of s.172 during the year

We have continued to comply with the requirements under s.172. Key decisions made included:

- Recruited a new Chief Executive to the Board of Directors.
- Recruited our Commercial Director, a key role to the ongoing success of the business.
- Continued the process to restructure the operations in Korea.
- Performed our first Investor Meet presentation to shareholders for our interim results.
- Initiated a 'Strategy on a Page' session with a third party to start planning for producing our business strategy.
- Appointed an external consultant to work with us to achieve our net zero ambitions.

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
<p>Associate companies</p> <p>The Group is exposed to the risks related to working with associate companies over</p>	<p>Failure to maintain good working relationships and to exert sufficient control and influence in</p>	<p>The Group's senior management has a regular schedule of visits to meet with the Associate Company's management in South Korea.</p>

which it does not have full operating control through its equity holding.	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.	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.
<p>Business disruption</p> <p>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.</p> <p>There is also a risk of business disruption if key sub-contractors experience an incident on their site or were to cease trading.</p>	<p>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.</p> <p>A cyber-attack could leave the Group open to a ransom demand or compromise data security both for the Group and customers.</p>	<p>The Group has developed business continuity and disaster recovery plans.</p> <p>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.</p> <p>The Group has an annual building insurance review where actions are raised and subsequently cleared internally, providing evidence to the insurer.</p> <p>The Group gets a fire risk assessment carried out by an external party every 2 years (last completed 6 September 2023) and annually internally and actions/suggestions raised are reviewed and actioned accordingly.</p> <p>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.</p> <p>The Group implemented multifactor authentication for relevant employees.</p> <p>The Group has implemented a Cyber Security training and awareness programme for all employees.</p> <p>The Group's strategy is to maintain essential systems in the Cloud.</p> <p>The Group has an email security gateway system in place.</p> <p>The Group has a register of Titon owned tooling held at sub-contractors.</p> <p>The Group looks to review sub-contractor insurance and business continuity policies.</p>
<p>Reliance on key customers and suppliers</p> <p>Parts of the Group's business are dependent on key customers and key suppliers.</p>	<p>Failure to manage relationships with key customers and suppliers could lead to a loss of business affecting the financial results of the Group.</p>	<p>The Group's strategic objective is to broaden its customer base wherever possible.</p> <p>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.</p>

		<p>The Group maintains ISO 9001 standard and a robust complaints process.</p> <p>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.</p>
<p>Supply chain risks</p> <p>The risk of extended lead times beyond forecast windows due to restricted component availability.</p> <p>The risk of continued material price inflation and hence margin erosion.</p> <p>The risk of international trade sanctions or interruption of supply due to geopolitical uncertainty, such as the Russian invasion of Ukraine and supply interruptions in China.</p>	<p>Decrease in cash due to increased stock holding.</p> <p>Loss of customers due to an inability to meet demand or uncompetitive pricing.</p> <p>Increased risk of obsolescence.</p> <p>Delays in supplying customers and additional administrative costs.</p> <p>Prices may increase which could impact our sales and profitability.</p>	<p>The Group operates strategic purchasing of key long lead time items.</p> <p>The Group holds weekly Sales Inventory and Operations Planning reviews.</p> <p>The Group has a policy of dual sourcing key components where possible.</p> <p>The Group ensures robust supplier relationship management.</p> <p>The Group can implement customer agreements to incorporate specification changes if required.</p> <p>The Group will obtain supplier declarations and compliance information when required.</p>
<p>Recruitment and retention of key staff</p> <p>The Group is dependent on the continued employment and performance of its senior management and other skilled personnel.</p>	<p>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.</p>	<p>The Group will be preparing a formal succession plan in 2024.</p> <p>The Group aims to provide competitive remuneration packages and bonus schemes to retain and motivate key staff.</p>
Risk	Potential Impact	Mitigations
<p>Recruitment and retention of staff</p> <p>The Group is dependent on the continued employment and performance of all staff.</p>	<p>Failure to maintain adequate staffing levels could impact on all business activities and the Group's ability to meet its defined targets.</p>	<p>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.</p> <p>The Group has a robust recruitment and onboarding process.</p> <p>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.</p>
<p>Economic conditions</p> <p>The Group is dependent on the level of activity in the construction industry in the countries in which it markets its products and is therefore</p>	<p>Lower levels of construction industry activity within any of the key markets in which the Group operates could reduce sales and production volumes adversely,</p>	<p>The Group closely monitors trends in the industry using a wide range of external data including the Construction Products Association's reports and forecasts for the UK and other reports in the rest of the world. Current forecasts for residential</p>

<p>susceptible to any changes in economic conditions.</p>	<p>thus affecting the Group's financial results. This is considered to be a high risk to the Group given the current inflationary pressures and a predicted low growth economy.</p>	<p>new-build and refurbishment markets in the UK and South Korea for 2023/24 suggest limited growth.</p> <p>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.</p> <p>The Group monitors product demand on a weekly basis and is able to respond accordingly in re-allocating or varying resources.</p> <p>The Group continually seeks to expand the geographical markets into which it sells its products.</p>
<p>Government action and policy</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
Risk	Potential Impact	Mitigations
<p>Product liability</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Group endeavors to ensure that its products are in compliance with relevant fire safety regulations.</p> <p>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</p>

		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 24 January 2024 and signed on its behalf by:

C V Isom
Chief Financial Officer

Directors' Report

The Directors present their report and the Group and Company financial statements for the year ended 30 September 2023.

The Directors of Titon Holdings Plc throughout the financial year or subsequent to the year-end are listed on page 32.

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 5 and an explanation of the Group's business strategy is included within the Strategic Report on pages 6 to 13.

The Group's compliance with the QCA Code is set out in the report on page 34.

Substantial shareholders

As at 30 September 2023, the Company was aware 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	%
Harwood Capital LLP	3,040,000	27.03
J N Anderson	868,902	7.74
P E Anderson	868,900	7.74
R Anderson	593,750	5.28
D J Barry	561,500	4.99

Share capital

The total issued ordinary share capital at 30 September 2023 consisted of 11,228,750 Titon Holdings Plc shares of 10p each. 10,000 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 2023 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 (2022: 0.5 pence). An interim dividend of 0.5 pence per share was paid during the year (2022: 1.5 pence) so the total dividend for the year ended 30 September 2023 is 1.0 pence per share (2022: 2.0 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 during the year amounted to £658,000 (2022: £759,000), of which £467,000 (2022: £629,000) was expensed to the income statement and £191,000 (2022: £130,000) was capitalised as shown in note 11.

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 20 to 22 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 50). 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.

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 32. 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 24 January 2024 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 2023 and 24 January 2024 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.

Auditors

MHA have expressed their willingness to continue in office and a resolution to reappoint them will be proposed the Annual General Meeting.

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 20 to 23. 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 £2.2m 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. 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 March 2024 to 31 January 2025 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 £1.9m 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 26 March 2024 commencing at 10.00 a.m. A Notice convening the Annual General Meeting of the Company for the year ended 30 September 2023 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 11 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 financial year ended 30 September 2023.

The Directors' Report was approved by the Board on 24 January 2024 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 5 April 2024 to shareholders whose name appear on the Company's register at close of business on 23 February 2024.

Resolution 3 - to re-elect Mr James Brooke as a Director

The Deputy Chair confirms that since his appointment 2 January 2024, Mr Brooke has shown to be effective and demonstrates commitment in his role.

Resolution 4 - 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 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-appoint MHA as auditors

This resolution proposes that MHA should be re-appointed as the Company's Auditors and authorises the Audit Committee to determine their remuneration.

Resolution 9 – to approve the Directors' Remuneration Report

Resolution 9 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 30 to 33.

Resolution 10 – 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 22 March 2023, will expire at the forthcoming Annual General Meeting.

Resolution 10 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 24 January 2024.

The authority conferred by the resolution will expire on 26 June 2025 or, if sooner, at the 2025 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 11 - 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 22 March 2023 will expire at the forthcoming Annual General Meeting. Accordingly, Resolution 11 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 £112,488 (representing approximately 10.0% of the nominal value of the ordinary shares in issue on 24 January 2024). The power conferred by this Resolution will expire on 26 June 2025 or, if sooner, at the 2025 Annual General Meeting.

In addition, there is one item of special business, being Resolution 12, as listed below.

Resolution 12 - Company's authority to purchase its own shares

Resolution 12 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 1,122,875 ordinary shares. This represents approximately 10% of the Company's ordinary shares in issue on 24 January 2024. 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 26 June 2025 or, if sooner, at the 2025 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 24 January 2024 there were options outstanding over 207,000 ordinary shares which, if exercised at that date, would have represented 1.8% of the Company's issued ordinary share capital. If the authority given by Resolution 12 was to be fully used, these would then represent 2.0% 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 24 January 2024 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 2023.

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 Annual General Meeting. An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 26 March 2024, to receive and adopt the Directors' Remuneration Report.

The Directors' interests in the ordinary share capital of the Company at the year-end are reported below on page 32.

Remuneration Committee

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

	2023	2022	Percentage change
	£'000	£'000	
Directors' remuneration	576	831	(30.7%)
Other employee remuneration	6,450	6,179	4.4%
Dividend payments to shareholders	112	502	(75.9%)

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) (b)	Benefits in kind	Short term performance related remuneration (c)	Pension benefits	Total
		£'000	£'000	£'000	£'000	£'000
Executive Directors:						
C V Isom	2023	105	1	-	18	124
	2022	112	-	-	15	127
A C French (d)	2023	139	-	-	2	141
	2022	76	-	-	5	81
M J Norris (e)	2023	-	-	-	-	-
	2022	61	-	-	5	66
T D Gearey (f)	2023	-	-	-	-	-
	2022	84	8	-	37	129
Non-executive Directors:						
T N Anderson (g)	2023	89	1	-	9	99
	2022	97	-	-	8	105
N C Howlett	2023	56	-	-	5	61
	2022	63	-	-	5	68
G P Hooper (h)	2023	40	-	-	-	40
	2022	20	-	-	-	20
J Ward (h)	2023	40	-	-	-	40
	2022	20	-	-	-	20
K A Ritchie (i)	2023	70	1	-	-	71
	2022	160	7	-	-	167
K Sargeant (j)	2023	-	-	-	-	-
	2022	13	-	-	-	13
B Ratzke (j)	2023	-	-	-	-	-

	2022	13	-	-	-	13
J N Anderson (k)	2023	-	-	-	-	-
	2022	21	-	-	-	21
Totals	2023	539	3	-	34	576
	2022	740	16	-	75	831

- (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) The remuneration package of each Executive Director includes non-cash benefits, which for C V Isom also included the provision of a company car. The aggregate gains made by Directors on the exercise of share options during 2023 were £nil (2022: £11,220).
- (c) In accordance with the proposals adopted by shareholders, performance related remuneration is not due for this period to Executive Directors.
- (d) A C French joined the Board on 3 May 2022 and left the Board on 6 April 2023.
- (e) M J Norris joined the Board on 12 July 2021 and left the Board on 8 February 2022.
- (f) 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.
- (g) T N Anderson was an Executive Director on the Board until 31 August 2022. From 1 September he moved to a Non-executive Director position on the Board and took on the role as Deputy Chair. The salary reflected above represents the salary he received for his director position in Titon Hardware Ltd. The remuneration he receives for his Non-executive Chair role is £1.
- (h) G P Hooper and J Ward both joined the Board on 1 April 2022.
- (i) K A Ritchie moved from Executive Chair to Non-executive Chair from 1 October 2022.
- (i) B Ratzke and K Sargeant both left the Board on 7 December 2021.
- (k) J N Anderson left the Board on 31 March 2022 and now receives £5,000 per annum for advisory services provided.

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 2023	30 September 2022
		Ordinary shares of	Ordinary shares of
		10p each	10p each
K A Ritchie*	Non-executive Director	1,031,381	1,031,381
A C French	Chief Executive Officer (joined 3 May 2022, left 6 April 2023)	-	12,738
C V Isom	Chief Financial Officer	-	-
T N Anderson	Deputy Chair	-	693,750
N C Howlett*	Non-executive Director	63,500	63,500
G P Hooper	Non-executive Director	35,498	35,498
J Ward	Non-executive Director	-	-

There were no other changes in Directors' beneficial shareholdings between 30 September 2023 and 24 January 2024.

* 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 2022 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	At 30 September 2023 Number
T N Anderson	(a)	58.0p	25,000	-	-	-	25,000
C V Isom	(b)	138.5p	50,000	-	-	-	50,000
A C French	(c)	95.0p	150,000	-	-	150,000	-

The share options in respect of AC French lapsed when she left the Company in April 2023. No other directors had interests in options over shares during the year.

Between 30 September 2023 and 24 January 2024, the share options held by T N Anderson have lapsed. There were no other changes in this period.

Share options

Share options are exercisable between the following dates:

- (a) 15 January 2017 and 15 January 2024
- (b) 15 July 2024 and 15 July 2031
- (c) 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 2023 the market price of the Company's shares was 80p. The range during the year was 68p to 87p.

Approval

The Directors' Remuneration Report was approved by the Remuneration Committee on 24 January 2024 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. 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. We note that the QCA code has been updated and will be applying the new Code going forward.

J Brooke
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.

The Board is confident that the goals and strategy that we have set for our business have been followed during the year under review. 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. Please see the Audit and Risk 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. 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 2023 the Board consisted of the Non-executive Chair, 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 announced his intention to resign from the Board with effect from 28 February 2024.

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 2024 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 2024 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. Nick also is a Non-executive Director of the Federation of Environmental Trade Associations and the Chair of the Residential Ventilation Association.

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 2024 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 2024 Annual General Meeting unless he is re-elected;

James Brooke was appointed to the Board on 2 January 2024 and is Non-executive Chair. For the past 25 years, Jamie has worked in quoted fund management and private equity, originally starting out with 3i Plc. Most recently he worked with Hanover Investors and, prior to this, he spent twelve years with the Volantis team under the umbrellas of Lombard Odier, Henderson and Gartmore. Jamie is currently a Non-Executive Director at Flowtech Fluidpower Plc, Chapel Down Group Plc, Oryx International Growth Fund Plc, Triple Point Venture VCT Plc and Kelso Group Holdings Plc. He is also a member of the Investment Advisory Group to Rockwood Strategic Plc. He trained as an ACA with Deloitte.

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 (the position is currently vacant) 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. He provides industry advice, on a part time basis to the Group and is a recognised figure through his involvement in various trade bodies.
2. Mr T N Anderson is not deemed to be independent as he 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. Mr G P Hooper was nominated as the Senior Independent Director of the Board in December 2023.
4. Mr J Ward is deemed to be independent for the purposes of the Code as he has no previous links with the Group.
5. Mr K A Ritchie is not deemed to be independent due to his previous service and role as an executive director of the Group and his significant shareholding.
6. Mr J Brooke is deemed to be independent for the purposes of the Code as he has no previous links with the Group.

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 2023 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	13	1	2	1
K A Ritchie	13	1	2	1
T N Anderson	11	-	-	-
C V Isom	13	-	2	-
A C French	8	-	-	-
N C Howlett	13	1	-	1
G P Hooper	12	-	2	1
J Ward	11	-	-	1

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 Non-executive Directors retire at the next Annual General Meeting and being eligible, offer themselves for re-election other than Mr K A Ritchie.

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 30 to 33. 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 was active during the year while recruiting the new Chief Executive. The Nominations Committee at 30 September 2023 comprised the Chair, Mr N C Howlett, Mr J Ward, Mr K A Ritchie and Mr G P Hooper.

Communications with shareholders

The Board recognises the importance of communications with shareholders. The Strategic Report on pages 6 to 23 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 24 January 2024 and signed on its behalf by:

J Brooke

Chair

Audit Committee Report

The Audit and Risk 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 and Risk Committee The Audit and Risk Committee is appointed by the Board for a period of three years and comprised the Chair, 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 and Risk Committee continues to have competence relevant to the sector in which the Company operates.

Role of the Audit and Risk Committee

The Audit and Risk 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 Committee reviews the Annual Report as a whole and makes recommendations to the Board. The 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 Committee prior to their publication.

The 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. The 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 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.

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 25 and 26, and those of the Auditors are detailed in the Independent Auditor's Report on page 40.

The 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 20 to 23) 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

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 2023. 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 Committee reviews the audit process and considers its effectiveness.

Auditor assessment and independence

The Group's external auditor is MHA.

The 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 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 2024 Annual General Meeting.

The fees for audit services provided by MHA for 2023 were £143,000 (2022: £143,000). The 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 2023 was £1,000 (2022: £1,000).

K A Ritchie

Audit and Risk Committee Chair

24 January 2024

Independent Auditor's Report

To the Members of Titon Holdings Plc

For the purpose of this report, the terms "we" and "our" denote MHA 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 on pages 41 to 43 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. 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, as an individual entity. The relevant legislation governing the 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 2023.

The financial statements that we have audited 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
- Notes 1 to 26 to the consolidated financial statements, including significant accounting policies

The financial reporting framework that has been applied in the preparation of the group and parent company's financial statements is applicable law and International Financial Reporting Standards and Interpretations (collectively "IFRSs") as adopted in the United Kingdom ("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 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards and Interpretations (collectively "IFRSs") as adopted in the United Kingdom ("UK-adopted IFRS"); and
- 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 ethical responsibilities in accordance with those 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 Group's and the Parent Company'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.
- Liquidity considerations including examination of cash flow projections at Group and Parent Company level.
- The evaluation of the base case scenarios and stress scenarios, in respect of the Group and the Parent Company, and the respective sensitivities and rationale.
- Viability assessments at Group and Parent Company levels, including consideration of reserve levels and business plans.

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

Scope	Our 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.		
	We, and our component auditors acting on specific group instructions, undertook full scope audits on the complete financial information of one component.		

Materiality	2023	2022	
Group	£224k	£221k	1% (2022: 1%) of group revenue
Parent Company	£131k	£137k	2% (2022: 2%) of net assets

Key audit matters

Recurring	<ul style="list-style-type: none">• Revenue Recognition• Inventory Valuation• Management Override of Controls
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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 matters 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.

Revenue Recognition

Key audit matter description	Revenue is one of the most prominent key performance indicators for the business.
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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
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- 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 communicated to the Group's Audit Committee	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.
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Inventory Valuation

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.
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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	<p>Our audit work included, but was not restricted to the following:</p> <ul style="list-style-type: none"> • 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 communicated to the Group's Audit Committee	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	<p>Our audit work included, but was not restricted to the following:</p> <ul style="list-style-type: none"> • 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;

	<ul style="list-style-type: none"> 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 communicated to the Group's Audit Committee	No issues have been identified from the audit procedures performed over management override of controls

Our application of materiality

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.

Materiality in respect of the Group was set at £226,000 (2022: 221,000) which was determined on the basis of 1% (2021: 1%) of the Group's total revenue. Group's total revenue was deemed to be the appropriate benchmark for the calculation of Group materiality as this is 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.

Materiality in respect of the Parent Company was set at £131,000 (2022: £137,000), determined on the basis of 2% (2022: 2%) of the Parent Company's Net assets. Net assets was deemed to be the appropriate benchmark for the calculation of materiality in respect of the Parent Company as this is a key area of the financial statements because this is the metric by which the performance and risk exposure of the Group and Parent Company is principally assessed. In our opinion this is therefore the benchmark with which the users of the financial statements are principally concerned.

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.

Performance materiality for the Group was set at £156,800 (2022: £132,600) and at £91,700 (2022: £82,800) for the Parent Company which represents 70% (2022: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £11,200 and £6,550 in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Overview of the scope of the Group and Parent Company audits

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 components of the Group, we identified 2 components in the UK and audited by the Group audit team, being Titon Holdings Plc and Titon Hardware Ltd, a further 2 components based in South Korea and audited by component auditors in the local market, being Titon Korea Co. Ltd and Browntech Sales Co. and the other component being Titon Inc. based in the USA.

Full scope audits - Of the 5 components selected, audits of the complete financial information of 4 components were undertaken, these entities were selected based upon their size or risk characteristics.

Specified procedures -

	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%

The Group Engagement Team ('GET') maintained oversight of the group audit specifically through communication with the component auditors in South Korea. This was achieved through the issuance of detailed group audit instructions, regular communications and a visit to the component auditor and group operations in South Korea which allowed for detailed review and discussion of key audit risks and the work performed to address these.

The final component auditor and group reporting were then reviewed and considered to ensure consistency with previous discussions and audit work performed

The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls over stock cycle, revenue, purchase, and payroll controls.

Climate-related risks

In planning our audit and gaining an understanding of the Group and Parent Company, we considered the potential impact of climate-related risks on the business and its financial statements. We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

Reporting on 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.

Strategic report and directors report

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.

In the light of the knowledge and understanding of the Group and the 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.

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

Matters on which we are required to report by exception

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

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

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006 and UK tax legislation.
- We enquired of the directors and management including the audit committee concerning the Group's and the Parent Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or

reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's Board and audit committee meetings.
- audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
 - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - enquiry of management around actual and potential litigation and claims.
 - challenging the assumptions and judgements made by management in its significant accounting estimates; and
 - obtaining confirmations from third parties to confirm existence of a sample of balances.
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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, Statutory Auditor
London
24 January 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Income Statement

for the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Revenue	3	22,334	22,087
Cost of sales		(16,413)	(16,270)
Gross profit		5,921	5,817
Distribution costs		(1,546)	(1,393)
Administrative expenses		(4,471)	(4,586)
Exceptional items	26	(39)	(349)
Research and development expenses		(467)	(629)

Other income		26	21
Operating loss		(576)	(1,119)
Finance income	5	5	9
Finance expense	5	(27)	(16)
Share of post-tax (loss) / profit from associate	13	(241)	173
Loss before tax	6	(839)	(953)
Income tax (expense) / credit	7	(86)	410
Loss after income tax		(925)	(543)
Attributable to:			
Equity holders of the parent		(686)	(436)
Non-controlling interest		(239)	(107)
Loss for the year		(925)	(543)
Loss per share attributed to equity holders of the parent:			
Basic	9	(6.01p)	(3.89p)
Diluted	9	(6.01p)	(3.89p)

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2023

	2023	2022
	£'000	£'000
Loss for the year	(925)	(543)
<i>Other comprehensive income - items which may be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on retranslation of net assets of overseas operations	(83)	112
Total comprehensive income for the year	(1,008)	(431)
Attributable to:		
Equity holders of the parent	(775)	(333)
Non-controlling interest	(233)	(98)
	(1,008)	(431)

The notes on pages 53 to 82 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 September 2023

	Note	2023	2022
		£'000	£'000
Assets			
Property, plant and equipment	10	3,183	3,321
Right-of-use assets	10	565	553
Intangible assets	11	926	915
Investments in associates	13	2,295	2,909
Deferred tax assets	16	264	697

Total non-current assets		7,233	8,395
Inventories	14	6,139	6,571
Trade and other receivables	15	3,754	4,920
Cash and cash equivalents	20	2,238	1,726
Total current assets		12,131	13,217
Total Assets		19,364	21,612
Liabilities			
Lease liabilities	18	426	378
Total non-current liabilities		426	378
Trade and other payables	17	3,968	5,051
Lease liabilities	18	206	232
Total current liabilities		4,174	5,283
Total Liabilities		4,600	5,661
Equity			
Share capital	19	1,123	1,122
Share premium	19	1,096	1,091
Capital redemption reserve		56	56
Foreign exchange reserve		109	198
Retained earnings		12,320	13,179
Total Equity attributable to equity holders of the parent		14,704	15,646
Non-controlling Interest		60	305
Total Equity		14,764	15,951
Total Liabilities and Equity		19,364	21,612

The notes on pages 53 to 82 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 24 January 2024 and signed on its behalf by:

J Brooke
Chair

Company Statement of Financial Position

at 30 September 2023

Company No. 01604952

	Note	2023 £'000	2022 £'000
Assets			
Property and motor vehicles	10	1,709	1,773
Investments in subsidiaries	12	554	554

Investments in associates	13	225	225
Deferred tax assets	16	7	4
Total non-current assets		2,495	2,556
Trade and other receivables	15	4,815	4,769
Cash and cash equivalents	20	94	4
Total current assets		4,909	4,773
Total Assets		7,404	7,329
Trade and other payables	17	107	135
Total current liabilities		107	135
Total Liabilities		107	135
Equity			
Share capital	19	1,123	1,122
Share premium account	19	1,096	1,091
Capital redemption reserve		56	56
Retained earnings		5,022	4,925
Total Equity		7,297	7,194
Total Liabilities and Equity		7,404	7,329

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 2023 of £281,000 (2022: £35,000). The notes on pages 53 to 82 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 24 January 2024 and signed on its behalf by:

J Brooke
Chair

Consolidated Statement of Changes in Equity

at 30 September 2023

	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 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)
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
Translation differences on overseas operations	-	-	-	(89)	-	-	(89)	6	(83)
Loss for the year	-	-	-	-	-	(673)	(673)	(252)	(925)
Total Comprehensive Income for the year	-	-	-	(89)	-	(673)	(762)	(245)	(1,008)
Dividends paid	-	-	-	-	-	(112)	(112)	-	(112)
Share-based payment expense	-	-	-	-	-	(72)	(72)	-	(72)
Exercise of share options	1	5	-	-	-	-	6	-	6
Other	-	-	-	-	-	(2)	(2)	1	(1)
At 30 September 2023	1,123	1,096	56	109	-	12,320	14,704	60	14,764

The notes on pages 53 to 82 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 2023

	Share Capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Total Equity
	£'000	£'000	£'000	£000	£'000	£'000
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
Profit for the year	-	-	-	-	281	281
Total Comprehensive Income for the year	-	-	-	-	281	281
Share-based payment credit	-	-	-	-	(72)	(72)
Dividends paid	-	-	-	-	(112)	(112)
Exercise of Share options	1	5	-	-	-	6
At 30 September 2023	1,123	1,096	56	-	5,022	7,297

The notes on pages 53 to 82 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 2023

		Group		Company	
		2023	2022	2023	2022
	Note	£'000	£'000	£'000	£'000
Cash generated from operating activities					
(Loss) / profit before tax		(839)	(953)	278	35
Depreciation of property, plant & equipment	10	533	518	64	64
Depreciation of right-of-use assets	10	240	232	-	-
Amortisation of intangible assets	11	195	298	-	-
Profit on sale of plant & equipment		(25)	(19)	(11)	-
Share based payment (credit) / expense – equity settled	23	(72)	23	(72)	23
Dividend received from Associate				(291)	
Finance income	5	(5)	(9)	(1)	(1)

Finance costs	5	27	16	-	-
Share of associate's post-tax loss / (profit)	13	241	(173)	-	-
		295	(67)	(33)	121
Decrease / (increase) in inventories		431	(1,529)	-	-
Decrease / (increase) in receivables		1,288	(696)	(45)	(952)
(Decrease) / increase in payables and other current liabilities		(1,082)	498	(27)	(32)
Cash generated by / (used in) operations		932	(1,794)	(105)	(863)
Income taxes received		220	-	-	-
Net cash generated by / (used in) operating activities		1,152	(1,794)	(105)	(863)
Cash flows from investing activities					
Purchase of plant & equipment	10	(433)	(386)	-	-
Purchase of intangible assets	11	(205)	(288)	-	-
Proceeds from sale of plant & equipment		58	44	11	-
Finance income	5	5	9	1	1
Dividends received from associate company		290	-	290	-
Net cash (used in) / generated by investing activities		(285)	(621)	302	1
Cash flows from financing activities					
Dividends paid to equity shareholders of the parent	8	(112)	(502)	(112)	(502)
Payment of lease liability	18	(243)	(226)	-	-
Finance costs	5	(27)	(16)	-	-
Exercise of share options	23	5	44	5	44
Net cash used in financing activities		(377)	(700)	(107)	(458)
Net increase in cash		490	(3,115)	90	(1,320)
Effect of exchange rate changes		22	47	-	-
Cash at beginning of the year		1,726	4,794	4	1,324
Cash and Cash Equivalents at end of the year		2,238	1,726	94	4

The notes on pages 53 to 82 form part of these financial statements .

Notes to the Consolidated Financial Statements

at 30 September 2023

General information

The consolidated financial statements of the Group for the year ended 30 September 2023 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 24 January 2024.

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, which is the functional currency of the Parent 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 judgement 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 20 to 23. 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 26 to 27.

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 (Titan Holdings Plc) and the entities controlled by the Company (its subsidiaries) made up to 30 September 2023. 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 acquisition 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.

(c) Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the 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 Parent 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 reporting 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 89% (2022: 92%) of sales from the Group's UK business are invoiced in Sterling.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation 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, if 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, using the FIFO method. 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 reporting date.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks, other short term highly liquid investments with original maturities of twelve months or less from inception. 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.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate, with the individual cash generating units cash flow forecast risks adjusted. The cash generating units are determined as being the individual trading entities.

Reversals of impairment

Other than in respect of goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

Share-based payment transactions

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

In accordance with IFRS 2 – Share-based Payments, the fair value of the employee services received in exchange for the grant of options is recognised as an expense to the income statement over the vesting period of the option and the corresponding credit recognised to the Retained Earnings within equity. The Black-Scholes option pricing model has been used for calculating the fair value of the Group's share options. The Directors believe that this model is the most suitable for calculating the fair value of the equity-based share options.

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

Pension costs

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

Accrued holiday pay

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

(j) Provisions

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

Provisions are not disclosed separately but are included in notes 15 and 17.

(k) Revenue

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration, which is the price at the date of the transaction, 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. The warranty provision is included in other creditors and is calculated as a percentage of applicable sales over a 3 year period.

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.

(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 and 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 Annual General Meeting.

(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 of 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, using a provision matrix, 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 Cash and cash equivalents comprise cash balances, deposits held at call with banks, other short term highly liquid investments with original maturities of twelve months or less from inception.

(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) Exceptional items

Material items of income or expense that are deemed exceptional due to their size or incidence, such as restructuring costs, 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 financial 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 £264,000 (2022: £697,000) has been recognised on the basis that the Group is forecasting sufficient levels of profits in future periods.

Impairment

The Group reviews all other non-financial assets for impairment, which requires management judgements and estimates. These judgements and estimates are reviewed on an annual basis. The Directors conclude that there are no major sources of estimation uncertainty in relation to these assets that have a material adjustment to the carrying values.

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:

	2023 £'000	2022 £'000
Deferred Revenue at beginning of year	396	443
Released in the year	(396)	(443)
Provided for in the year	270	396
Deferred Revenue at end of year	270	396

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 3.

Operating segment

For the year ended 30 September 2023	United Kingdom £'000	South Korea £'000	North America £'000	Europe and all other countries £'000	Consolidated £'000
Segment revenue	15,781	2,488	842	3,623	22,734
Inter-segment revenue	(400)	-	-	-	(400)
Total Revenue	15,381	2,488	842	3,623	22,334
Segment profit/(loss)	(247)	(645)	164	(111)	(839)
Tax expense					(86)
Loss for the year					(925)
Depreciation and amortisation	869	99	-	-	968
Total assets	15,521	3,599	243	-	19,363
Total assets include: Investments in associates	2,295	-	-	-	2,295
Additions to non-current assets (other than financial instruments and deferred tax assets)	701	(30)	1	-	672

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 £241,000.

Sales to BTS of £4.038m represented 18% of Group Revenue (2022: £4.71m – 21%). 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 2023	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	19,004	-	842	2,488	-	22,334
By country from which derived	15,381	3,623	842	2,488	-	22,334
Non-current assets						
By entities' country of domicile	4,683	-	24	2,526	-	7,233

Operating segment

For the year ended 30 September 2022	United Kingdom	South Korea	North America	Europe and 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:	2,910	-	-	-	2,910
Investments in associates					
Additions to non-current assets (other than financial instruments and deferred tax assets)	671	3	-	-	674

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 £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	5,354	-	46	3,061	-	8,461

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 background ventilators 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.

	2023 £'000	2022 £'000
Background ventilators and window and door hardware products	12,501	13,586
Mechanical ventilation products	9,833	8,501
Revenue	22,334	22,087

4 Directors and employees

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Staff costs, including Directors, were as follows:				
Wages and salaries	6,534	6,384	293	363
Employer's social security costs and similar taxes	718	664	37	56
Defined contribution pension cost	512	564	2	10
Share based payment expense – equity settled	(72)	38	-	-
	7,692	7,650	332	429

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
The average monthly number of employees during the year was as follows:				
Manufacturing	142	137	-	-
Sales, marketing, and administration	60	72	4	5
	202	209	4	5

Details of Directors' emoluments, pension contributions and interests in share options are given in the Directors' Remuneration Report set out on pages 30 to 33.

5 Finance income and expense

Finance income	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank interest receivable on short term deposits	5	9	1	1

Finance expense	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Interest expense on lease liabilities	27	16	-	-

6 Loss before tax

	2023 £'000	2022 £'000
This is arrived at after charging / (crediting):		
Depreciation of property, plant & equipment	533	518
Depreciation of right-of-use assets	240	232
Amortisation of intangible assets	194	298
Research and development expenditure written off	467	629
Short term rentals - vehicles and plant & equipment	18	53
Foreign exchange loss / (gain)	55	(109)
Share-based payment (credit) / expense	(72)	38
Profit on disposal of property, plant & equipment	(25)	(19)
Auditors' remuneration:		
- for the audit of these accounts	20	20
- for the audit of the accounts of the Company's subsidiaries	110	110
- for the audit of the accounts of the Group's associate	13	13
- non-audit services - comprising other assurance services	1	-

7 Tax credit / (expense)

	2023 £'000	2022 £'000
Current income tax:		
Corporation tax credit / (expense)	121	-
Adjustment in respect of prior years	220	-
	341	-
Deferred tax:		
Origination and reversal of temporary differences	Note 16 (150)	410
Adjustment in respect of prior year	(277)	-
Income tax (expense) / credit	(86)	410
	2023 £'000	2022 £'000
The charge for the year can be reconciled to the profit per the income statement as follows:		
Loss before tax	(839)	(953)
Effect of:		
Expected tax credit based on the standard rate of Corporation tax in the UK of 25% (2022: 19%)	185	(181)
Additional deduction for R&D expenditure	42	189
Adjustment in respect of prior years	(57)	33
Expenses deductible for tax purposes	(44)	7
Difference in overseas tax rates	(15)	-
Impact of deferred tax assets not recognised	(144)	384
Other adjustments	(53)	(22)
Income tax (expense) / credit	(86)	410

The tax rate in the United Kingdom, being the economic environment in which the Company conducts its business was 19% until 31 March 2023, at which point the rate increased to 25%. A hybrid rate of 22% therefore applies to the year ended 30 September 2023.

8 Dividends

	2023	2022
	£'000	£'000
Final 2022 dividend of 0.50 pence (2021: 3.00 pence) per ordinary share proposed and paid during the year relating to the previous year's results	56	335
Interim dividend of 0.50 pence (2022: 1.50 pence) per ordinary share paid during the year	56	167
	112	502

The Directors are proposing a final dividend of 0.5 pence (2022: 0.5 pence) per share. This will result in a final dividend totalling £56,244 (2022: £56,094), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

9 Loss per ordinary share

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

	2023	2022
	£'000	£'000
Numerator		
Loss for the purposes of basic earnings per share being loss after tax attributable to members of Titon Holdings Plc	(673)	(436)
Denominator	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share	11,205,723	11,196,627
Effect of dilutive potential ordinary shares: share options	10,829	18,173
Weighted average number of ordinary shares for the purposes of diluted loss per share	11,216,552	11,214,800
Loss per share (pence)		
Basic	(6.01p)	(3.89p)
Diluted	(6.01p)	(3.89p)

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 2021	3,455	191	8,512	288	12,446
Additions	-	-	339	47	386
Disposals	-	-	(40)	(66)	(106)
At 1 October 2022	3,455	191	8,811	269	12,726
Additions	-	-	392	41	433
Disposals	-	-	(23)	(134)	(157)
Foreign exchange revaluation	-	(1)	(22)	-	(23)

At 30 September 2023	3,455	190	9,158	176	12,979
Depreciation					
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 1 October 2022	1,682	110	7,382	231	9,405
Charge for the year	64	25	428	16	533
Disposals	-	-	(23)	(102)	(125)
Foreign exchange revaluation	-	(1)	(16)	-	(17)
At 30 September 2023	1,746	134	7,771	145	9,796
Net book value					
At 30 September 2023	1,709	56	1,387	31	3,183
At 30 September 2022	1,773	81	1,429	38	3,321
At 1 October 2021	1,837	61	1,532	46	3,476

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 2023, the Group had entered into contractual commitments for the acquisition of plant and equipment amounting to £53,000 (2022: £83,000).

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 2021	550	25	370	945
Additions	85	47	106	238
Disposals	(85)	-	(40)	(125)
At 1 October 2022	550	72	436	1,058
Additions	-	186	69	255
Disposals	-	-	(64)	(64)
Foreign exchange revaluation	(3)	-	(5)	(8)
At 30 September 2023	547	258	436	1,241
Depreciation				
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 1 October 2022	166	19	320	505

Charge for the year	67	35	138	240
Disposals	-	-	(64)	(64)
Foreign exchange revaluation	44	-	(49)	(5)
At 30 September 2023	277	54	345	676
Net book value	270	204	91	565
At 30 September 2023				
At 30 September 2022	384	53	116	553

At 30 September 2023, the Group had entered into contractual commitments for the acquisition of motor vehicles under finance leases amounting to £48,000 (2022: £119,000).

10 Property, plant and equipment (continued)

Company

The Company has no right-of-use assets (2022: £nil)

Company: property and motor vehicles	Freehold land and buildings	Motor vehicles	Total
Cost	£'000	£'000	£'000
At 1 October 2021	3,455	27	3,482
Additions	-	-	-
At 1 October 2022	3,455	27	3,482
Disposals	-	(27)	-
At 30 September 2023	3,455	-	3,455
Depreciation			
At 1 October 2021	1,619	27	1,646
Charge for the year	63	-	63
At 1 October 2022	1,682	27	1,709
Charge for the year	64	-	64
Disposals	-	(27)	(27)
At 30 September 2023	1,746	-	1,746
Net book value			
at 30 September 2023	1,709	-	1,709
At 30 September 2022	1,773	-	1,773
At 1 October 2021	1,836	-	1,836

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 2021	805	1,234	78	439	256	2,812
Additions	595	130	-	(439)	2	288
At 1 October 2022	1,400	1,364	78	-	258	3,100
Additions	14	191	-	-	-	205
At 30 September 2023	1,414	1,555	78	-	258	3,305
Amortisation						
At 1 October 2021	698	937	-	-	252	1,887
Charge for the year	148	149	-	-	1	298
At 1 October 2022	846	1,086	-	-	253	2,185
Charge for the year	45	148	-	-	1	194
At 30 September 2023	891	1,234	-	-	254	2,379
Net book value						
at 30 September 2023	523	321	78	-	4	926
At 30 September 2022	554	278	78	-	5	915
At 1 October 2021	107	297	78	439	4	925

All assets have an average useful life of 3.1 years (2022: 3.6 years) except for Goodwill which has an indefinite useful life.

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

Company

The Company has no intangible assets (2022: £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 2022 and 2023
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	2023 £'000	2022 £'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 2022 and 2023
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	2023 £'000	2022 £'000
At 30 September	225	225

13 Investments in associates (continued)

The aggregated amounts relating to BTS are as follows:

As at 30 September	2023 £'000	2022 £'000
Current assets	3,404	5,760
Non-current assets	1,242	470
Total Assets	4,646	6,230
Current liabilities	222	546
Non-current liabilities	325	148
Total Liabilities	547	694

Net Assets	4,099	5,536
Group 49% share of Net Assets	2,098	2,712
Group investment in Goodwill	197	197
Group share of investment	2,295	2,909
For the year ended 30 September	2023	2022
	£'000	£'000
Revenue	4,038	4,714
(Loss) / profit after tax	(241)	173

BTS has been included based on audited financial statements drawn up for the year to 30 September 2023. Transactions between it and the Group are set out in note 24.

The Group's investment in BTS at 30 September 2023 includes £197,000 (2022: £197,000) of goodwill.

14 Inventories

Group	2023	2022
	£'000	£'000
Raw materials and consumables	3,087	2,733
Work in progress	40	176
Finished goods and goods for resale	3,012	3,662
	6,139	6,571

The carrying value of inventory represents cost less appropriate write down. During the year there was a net debit of £48,197 (2022: net debit of £151,706) 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 amount of inventories recognised as an expense during the year is £16,413,000 (2022: £16,270,000).

Company

The Company had no inventories at 30 September 2023 (2022: £nil).

15 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade receivables	3,247	4,566	1	1
Less: Impairment Allowance	(174)	(209)	-	-
Trade receivables - net	3,073	4,357	1	1
Related parties receivables	42	180	4,811	4,768
Less: Impairment allowance	-	-	-	-
Related parties receivables (See Note 24)	42	180	4,811	4,768
Other receivables	183	214	-	-
Current tax debtor	121	-	-	-
Prepayments and accrued income	335	169	3	-
Total trade and other receivables	3,754	4,920	4,815	4,769

Other than the amounts due from related parties there were no significant concentrations of credit risk at either 30 September 2023 or 30 September 2022.

The average credit period taken on sale of goods by the Group's trade debtors is 51 days (2022: 58 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	
	2023	2023	2022	2022
	£'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	1,978	(24)	3,058	(29)
Up to 30 days past due	965	(25)	1,047	(56)
Up to 60 days past due	157	(37)	259	(53)
Up to 90 days past due	146	(88)	173	(71)
Over 90 days past due	-	-	-	-
	3,246	(174)	4,537	(209)

Of the £174,000 ECL provision, £nil (2022: £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 2023 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 2023 that are overdue for payment is 42% (2022: 33%).

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	
	2023	2022
	£'000	£'000
Movements on the impairment allowance of trade and related party receivables are as follows:		
At the beginning of the year	209	86
Impairment allowance	102	209
Receivables written off during the year as uncollectible	(71)	(29)
Unused amounts reversed	(66)	(57)
At the end of the year	174	209

16 Deferred tax

Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25.0%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2022	Effect of rate change on opening balances	Foreign exchange movement	Credited / (expensed) to Income Statement	Total deferred tax at 30 September 2023	Asset 2023 UK	Asset 2023 Non-UK
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK accelerated capital allowances	-	-	-	(403)	(403)	(403)	-
Non-UK accelerated capital allowances	2	-	-	(2)	-	-	-
UK other temporary and deductible differences	(14)	-	-	77	63	63	-
Non-UK other temporary and deductible differences	27	-	-	(27)	-	-	-
UK available losses	553	-	-	27	580	580	-
Non-UK available losses	129	(4)	(1)	(100)	24	-	24
Total deferred tax	697	(4)	(1)	(428)	264	240	24

At 30 September 2023, a deferred tax asset of £175k was not recognised in relation to the losses carried forward by Titon Korea. At 30 September 2022, a deferred tax asset of £384k was not recognised, in respect of further losses of £1,537k in the UK, at the substantively enacted rate of 25%. The UK deferred tax asset has been recognised in full at 30 September 2023.

16 Deferred tax (continued)

	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

Company

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%). The movement on the deferred tax account is as shown below:

	Total deferred tax at 1 October 2022	Effect of rate change on opening balances	Credited / (expensed) to Income Statement	Total deferred tax at 30 September 2023
	£'000	£'000	£'000	£'000
UK Accelerated capital allowances	-	-	-	-
UK other temporary and deductible differences	4	-		4
UK available losses	-	-	3	3
Total deferred tax	4	-	3	7

	Total deferred tax at 1 October 2021	Effect of rate change on opening balances	Credited 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

17 Trade and other payables – current

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade payables	2,045	3,121	29	(4)
Other payables	803	722	-	-
Other tax and social security taxes	378	286	-	-
Accruals and deferred income	742	922	78	139
	3,968	5,051	107	135

Group trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Year-end Group trade creditors represent 46 days (2022: 52 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 the periodic rent for property leases 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 2023 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. Lease liabilities are initially measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate.

Right-of-Use Assets	Freehold land and buildings	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
At 1 October 2022	384	53	116	553
Additions	-	186	69	255
Amortisation	(67)	(35)	(138)	(240)
Foreign exchange revaluation	(47)	-	44	(3)
At 30 September 2023	270	204	91	565

Lease Liabilities	£'000
At 1 October 2022	610
Additions	270
Interest expense	27
Lease payments	(270)
Foreign exchange revaluation	(5)
At 30 September 2023	632

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 2022	232	145	233	-	610
At 30 September 2023	206	175	196	55	632

Lease expense	2023
	£'000
Short term lease expense	18
Low value lease expense	-
Aggregate undiscounted commitments for short term leases	-
	18

19 Share capital	2023	2022
Authorised	£'000	£'000
13,600,000 ordinary shares of 10p each	1,360	1,360

Each share has equal voting and dividend rights.

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

	2023 Number	2023 £'000	2022 Number	2022 £'000
At the beginning of the year	11,218,750	1,122	11,193,750	1,119
Share options exercised during the year	10,000	1	25,000	3
At the end of the year	11,228,750	1,123	11,218,750	1,122

Share premium

	2023 £'000	2022 £'000
At the beginning of the year	1,091	1,077
Share options exercised during the year	5	14
At the end of the year	1,096	1,091

Treasury shares held by the Group

	2023 Number	2023 £'000	2022 Number	2022 £'000
At the beginning of the year	-	-	50,000	27
Transfer of treasury Shares	-	-	(50,000)	(27)
At the end of the year	-	-	-	-

Treasury shares held by the Group were acquired in July 2014 and were disposed of during 2022 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	45,000	15.01.17 and 15.01.24
30.01.18	156.5p	72,000	30.01.21 and 30.01.28
15.07.21	138.5p	90,000	15.07.24 And 15.07.31
At 30 September 2023		207,000	
At 30 September 2022		437,000	

20,000 share options were exercised between 30 September 2023 and 24 January 2024.

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 58 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	
	2023	2022	2023	2022
Currency	£'000	£'000	£'000	£'000
Sterling	1,905	1,374	94	4
US Dollar	223	82	-	-
Euro	78	196	-	-
South Korean Won	32	74	-	-
	2,238	1,726	94	4

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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Bank current accounts	2,238	1,726	94	4

The Group had no floating term deposits at 30 September 2023 (2022: £1m).

Financial liabilities

The Group had no floating rate financial liabilities at 30 September 2023 (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 25, and the Report on Risk Management on pages 20 to 23 describe the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Audit Committee reviews and reports to the Board on the effectiveness of policies and processes put in place.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out on pages 41 to 43.

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 reporting date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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

Foreign exchange risk

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

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

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

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

The UK businesses make purchases from approximately twenty overseas suppliers who invoice in the local currency of that supplier. This, in addition to the Euro and US Dollar cash balances held in the UK and the 10% (2022: 7%) 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)	2023	2022
	£'000	£'000
Euro	(176)	(587)
US Dollar	469	686
Total net exposure	293	99

The effect of a 10% weakening of the Euro and the US Dollar against Sterling at the reporting date of 30 September 2023 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 £27,000 (2022: decrease in liability of £9,000). A 10%

strengthening in the exchange rate would, on the same basis, have increased pre-tax profit and increased net assets by £29,000 (2022: increase of £10,000).

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 (2022: £37,000).

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 2023 there were no share options granted (2022: 150,000).

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	15/01/14	30/01/21	15/07/21	01/07/22	Number of share options
Exercise price (pence)	58.0	156.5	138.5	95.0	
Number of share options granted initially	320,000	205,000	260,000	150,000	
Number of share options outstanding at 01/10/21	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
Share options lapsed	(10,000)	(60,000)	-	(150,000)	(220,000)
Share options exercised	(10,000)	-	-	-	(10,000)
Number of share options outstanding at 30/09/23	45,000	72,000	90,000	-	207,000

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 (2022: NIL).

At the end of the financial year 45,000 share options met the conditions of exercise and have a weighted average exercise price of 58p (2022: 64,000 at 58p). The 207,000 share options outstanding at 30

September 2023 had a weighted average exercise price of £1.273 (2022: 437,000 at £1.134) and a weighted average remaining contractual life of 5.46 years (2022: 7.13 years).

The share price at 30 September 2023 was 80.0p (2022: 81.0p). The average market price during the year was 76.4p (2022: 95.0p).

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 credit of £72,000 was recognised in respect of share options in the year (2022: charge £23,000) of which £11,000 (2022: £7,000) 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 £590,000 (2022: £777,000). See Note 15 for the related party balances at 30 September 2023.

Titon Korea Co. Ltd, the Company's 51% owned subsidiary, paid a dividend during the year to its shareholders amounting to £nil (2022: £nil). Of this amount, £nil (2022: £nil) before withholding tax, was paid to the Company with the other £nil (2022: £nil) being paid to 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 (to)/ by related party	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Browntech Sales Co. Ltd	2,488	3,037	42	180

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

Browntech Sales Co. Ltd, the Company's 49% owned associate, paid a dividend during the year to the Company amounting to £291,012 (2022: £nil).

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 31 of this document.

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

	2023 £'000	2022 £'000
Short term benefits	604	835
Post-employment benefits	34	75

Share based payments	11	7
	649	917

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

	2023 £'000	2022 £'000
One off cost of living bonus to all employees	-	89
Restructuring costs	39	260
Administrative costs - exceptional	39	349

Summarised consolidated results

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Revenue	22,334	22,087	23,412	20,652	27,157
Gross profit	5,921	5,817	7,350	5,654	8,198
Operating (loss) / profit	(576)	(1,119)	1,119	(39)	1,629
Share of profit / (loss) from associate	(240)	173	(28)	83	329
(Loss) / profit before tax	(839)	(953)	1,075	18	1,970
Income tax expense	(86)	410	(72)	104	(186)
(Loss) / profit after tax	(925)	(543)	1,003	122	1,784
Dividends	112	502	390	332	526
Basic (loss) / earnings per share	(6.01p)	(3.89p)	9.24p	0.52p	12.84p

Assets Employed

Property, plant & equipment	3,183	3,321	3,476	3,469	3,799
Net cash and cash equivalents	2,238	1,726	4,794	5,572	4,587
Net current assets	7,531	7,934	9,313	9,138	10,112

Financed by

Shareholders' funds: all equity	14,703	15,707	16,414	15,943	16,262
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The five year summary does not form part of the audited financial statements and is not an IFRS statement.

Directors and Advisers

DIRECTORS

Executive

C V Isom (Chief Financial Officer)

Non-executive

J Brooke (Group Non-Executive Chair, appointed 2 January 2024)

T N Anderson (Deputy Chair)

N C Howlett

G P Hooper

J Ward

K A Ritchie

SECRETARY AND REGISTERED OFFICE

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