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Titon Holdings PLC

Preliminary results for the year to 30 September 2018

Another record year of delivery

Titon Holdings Plc ("Titon", the "Group" or the "Company"), a leading international manufacturer and supplier of ventilation systems, and window and door hardware, is pleased to announce its preliminary results for the year ended 30 September 2018.

Summary Financial Results

	2018	2017	Change
Net revenue	£29.9m	£28.0m	+7%
EBITDA	£2.85m	£2.46m	+16%
EBIT	£2.19m	£1.85m	+18%
Profit before tax	£2.98m	£2.49m	+20%
Earnings per share (EPS)	19.17p	16.55p	+16%
Full year dividends per share (DPS)	4.75p	4.20p	+13%

Financial Highlights

- Group net revenue rose 7% to a record £29.9 million (2017: £28.0 million), an increase of 8% on a constant currency basis.
- Gross profit margin increased by 0.9%, to 26.8%.
- Profit before tax of £2.98 million increased by 20% (2017: £2.49 million).
- Proposed final dividend of 3.0 pence per share, up 11% (2017: 2.7 pence), taking dividends for the full year to 4.75 pence, an increase of 13% (2017: 4.2 pence).
- Net cash at 30 September 2018 of £3.42 million (2017: £3.27 million).
- Maiden cash dividend of £433,000 paid by Titon Korea to the Company.
- Group return on capital employed (ROCE) [1] of 15.3% (2017: 15.1%).
- Trading for the first two months of 2019 in line with expectations.

Operational highlights

- Titon Korea's revenue grew by 21% and its net profit after tax rose by 24%; it remains the Group's largest contributor to Group profits.
- The UK and European based businesses saw revenue rise 7% in the year:
    - Mechanical ventilation products again performed well, with good growth in exports in both existing and new markets in Continental Europe, up by 13%.
    - The UK hardware business also improved on last year with Titon branded door and window products recording 34% growth in revenue; other sub-sectors also continued to grow.
- Sales in the USA have fallen significantly in the year due to the completion of a large subsidised maintenance programme and a general slowdown in Titon's regional markets. Titon's US business represents only 2% of Group revenue (2017: 6%) and there are a number of projects in the pipeline, which, if delivered, will return the US business to growth.
- The Group has also continued to promote the benefits of good indoor air quality in the UK.

Executive Chairman Keith Ritchie said: "It was another record year for Titon with revenues of £30 million and profit before tax growing by 20%, to £2.98 million. The total dividend for the year was also increased by 13% which is now the 6th consecutive year of rising dividends underpinned by a robust balance sheet and a growing cash position.

"The UK economy continues to grow at a modest rate in both historic and relative terms with consensus forecasts for GDP growth clustered around 1.5% per annum in both 2019 and 2020. These forecasts, too, are made assuming that the UK reaches an agreement with the EU about withdrawing in an orderly manner and any continuing uncertainty is unwelcome to our business. In the first two months of the new fiscal year, we have been pleased with UK and Continental European trading, which is in line with the same period in 2017, when October and November were particularly good months.

"In South Korea, the World's 12th largest economy[2] and the Group's largest net profit contributor, Q3 of calendar 2018 saw slightly slower GDP growth in relative terms at 2.0% compared with 2.8% in Q2 due largely to weaker construction and business investment. We anticipate that increasing levels of air pollution may raise demand for mechanical ventilation units over natural ventilation products in fiscal 2019, resulting in a slowdown in our core natural ventilation business. We are, however, in the process of developing new solutions for the South Korean ventilation market. Most importantly, the trajectory of the South Korean economy remains enviably positive with FocusEconomics forecasting GDP growth of 2.6% in both 2019 and 2020 as Government spending increases and monetary policy remains accommodative. We are therefore positive on the medium-term outlook for our South Korean business.

"Titon builds and delivers popular products across a unique geographical spread. It has good people and a perennially strong balance sheet. We also continue to look for new opportunities for growth within our target markets. 2019 may be a more testing year in South Korea and the UK, compounded by the continuing uncertainty over Brexit. However, provided that Brexit doesn't negatively impact the UK economy we expect another year of growth in revenue and profits for Titon in line with market expectations.

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Notes:
[1] *ROCE is calculated by dividing EBIT by capital employed (capital employed being the sum of shareholders' funds, non-controlling interests and all debt less intangible assets and cash)*
[2] *International Monetary Fund data at May 2018*

Chairman's Statement

It was another record year for Titon, generating revenue of £30 million and delivering a 20% increase in profit before tax to £3.0 million. The total declared dividend for the year was also increased by 13%.

Profit and loss

In the year ended 30 September 2018, the Group's net revenue (which excludes inter-segment activity) rose 7% to £29.9 million (2017: £28.1 million). On a constant currency basis, however, the increase is 8%.

The gross margin increased from 25.9% to 26.8% and EBITDA was 16% higher at £2.85 million (2017: £2.46 million). Earnings before interest and tax (EBIT) or operating profit rose 18% to £2.19 million (2017: £1.85 million) with the operating margin higher at 7.3% (2017: 6.6%).

Net interest contributed £13,000 (2017: £10,000) while the share of profits from the Group's associate (in South Korea) rose 23% to £778,000 (2017: £633,000) resulting in profit before tax of £2.98 million, which was an increase of 20% (2017: £2.49 million). On a constant currency basis there was no material change to the 2018 profit before tax.

Earnings per share for the year increased 16% to 19.2 pence (2017: 16.5 pence). The effective rate of taxation increased to 12% (2017: 11%).

The Directors are proposing a final dividend of 3.0 pence per share (2017: 2.7 pence). When added to the interim dividend of 1.75 pence, paid on 21 June 2018 (2017: 1.5 pence), this represents a total dividend for the year of 4.75 pence (2017: 4.20 pence) a 13% rise on 2017. If approved by shareholders at the forthcoming Annual General Meeting on 20 February 2019, the dividend is payable on 26 February 2019 to shareholders on the register at 18 January 2019. The ex-dividend date is 17 January 2019.

Statements of financial position and cash flows

Net assets including non-controlling interests rose £2.3 million to £18.5 million with net cash at £3.42 million (2017: £3.27 million) which is equivalent to 18.5% of net assets (2017: 20.2%). Inventory levels at the year-end increased by £997,000 on 2017 due to strong business growth in South Korea and the introduction of new products into the UK and European markets. In turn, this meant that cash generated from operations in the year was £1.94 million (2017: £2.24 million). Capital expenditure increased to £893,000 (2017: £706,000) and dividends paid to the shareholders of Titon Holdings Plc increased by 19% to £489,000 (2017: £410,000). Titon Korea also paid a maiden dividend in the year and this led to a cash outflow from the Group to the Non-Controlling Interests of £416,000 (2017: £0), whilst simultaneously repatriating a similar amount to the UK as a dividend to Titon Holdings Plc. The result of the above is an overall net increase in the Group's cash reserves in the period of £146,000 (2017: £831,000). Net current assets were £11.2 million (2017: £9.9 million) with a Quick Ratio[1] of 1.97 (2017: 2.13).

ROCE[2] was 15.3% (2017: 15.1%) with Capital Turn at 2.1 (2017: 2.3).

Segment analysis

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

UK and Europe

Revenue from the UK and Europe increased by 7% in fiscal 2018. This increase was derived chiefly from a strong performance in the Hardware business comprising sales of our traditional trickle vents, and window and door hardware. Here, sales into the aluminium window and door sector continued to perform strongly, up 12%. I am also pleased to report that sales of Titon branded door and window hardware products had a strong year with a 34% annualised revenue increase in the year, which reflects a lot of hard work put into this product area.

Results from the Ventilation System's sales of mechanical ventilation products saw an increase of 7.5% in revenue, with pleasing demand for exports again as new customers have been introduced. The latter reflects a continued targeting of and investment in new geographical markets, particularly Eastern Europe. Within the UK, sales were up marginally on 2017 as we restructured our sales areas outside of London and the South East.

Titon continues to invest in research and development which, in turn, yields a continuing number of new products for both the Ventilation Systems and Hardware businesses and this will also be true in 2019. The importance of air quality, both outdoors and indoors, continues to expand as the impact of poor quality air becomes more understood by the medical profession, governments and consumers. Titon has worked with one of our trade associations, Beama (British Electrotechnical & Allied Manufacturers Association), which represents manufacturers of electro technical products, such as ventilation products, to promote the benefits of good indoor air quality. In October 2018, the Healthy Homes and Buildings All Party Parliamentary Group published a White Paper entitled Building our Future, Laying the Foundations for Healthy Homes and Buildings. I am very pleased to say that Titon was a significant contributor to this paper, which we hope will lead to healthier homes and higher sales of ventilation products.

The value of UK private and public housebuilding output is forecast to increase in 2018 by 4.5% against calendar 2017 according to the Construction Products Association. At the same time, the expected value of repair, maintenance and improvement (RMI) in the private and public residential sectors is forecast to be flat in 2018 against 2017.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products and is the national market leader with an estimated market share in this core sub-sector in excess of 75%. In fiscal 2018, it also had another very good year with revenue increasing by 21% to £11.6 million, due to higher private sector demand, and its contribution to Group profit after tax was up by 24% to £1.0million.

The Group's associate company, Browntech Sales Co. Limited ('BTS') also operates exclusively in South Korea and it generated another higher contribution in the year, with the Group recognising a share of profits from BTS of £778,000 (2017: £633,000) up 23% on 2017. In terms of activity, BTS distributes ventilation products in South Korea and both invests in and develops schemes in the domestic residential real estate market. There are three such schemes active at this time: the first in the form of a secured loan, which is expected to be repaid in 2019; the second, a residential refurbishment in Seoul, which is tenanted; and the third, the development of a residential property in Seoul, which has now been completed and is currently being marketed. Taking Titon Korea and BTS together, South Korea is the largest contributor to the Group's profit after tax at £1.8million for the year. (2017: £1.5million).

United States

Finally, as I noted in the interim results, revenue in the US was substantially lower and this continued in the second half, although the US represents only a small proportion of Group sales (2% in 2018 and 6% in 2017). In fact, sales for the year were down by almost two-thirds against 2017, which was very disappointing and due largely to the ending of a subsidised window replacement programme in New York and a general market slowdown in one of our core markets in Washington State. It is important to add, however, that we benefit from very low fixed costs in our US business and the region has made a positive contribution overall to the Group's results.

Board

We have not made any changes to the Board in the last twelve months. However, we have agreed, in connection with our move to AIM, that we will appoint another independent Non-executive Director to the Board in 2019. The process of selecting an appropriate person for this role is underway and an announcement will be made in due course.

Employees

Once again, I offer my sincere thanks to all of the employees of Titon as the success of the Group is down to their hard work and talents. We continue to grow and develop as a business and it would not be possible without their contribution. As with last year, we have continued to make increases in the wages of our UK weekly paid employees in line with the National Minimum Wage.

Investors

We have now completed our move from the Main Market of the London Stock Exchange to the AIM market, which was effective from 10 December 2018. We are very pleased that shareholders voted in favour of this change as the Board believes it offers significant benefits to existing shareholders and new investors in Titon.

We have continued to engage the corporate research house Hardman & Co. which regularly writes and distributes investment research on Titon and which we believe has both widened interest in the Group and continues to have a positive impact in the share price over the past three years. We have engaged Shore Capital as our Nominated Advisor and Broker for the purposes of the move to AIM and they will initiate research coverage on Titon in early 2019. Finally, here, I would like to mention again the Group's dividend reinvestment programme (DRIP) which has operated for a number of years. This represents a straight-forward and cost effective way for shareholders to increase their holdings in Titon should they wish to do so.

Outlook

It was another record year for Titon with revenue of £30 million and profit before tax ahead by a fifth to £2.98 million. The dividend for the year was also increased by 13% which is the 6th consecutive year of rising dividends.

The UK economy continues to grow at a modest rate in both historic and relative terms with consensus forecasts for GDP growth clustered around 1.5% per annum in both 2019 and 2020. These forecasts, too, are made assuming that the UK reaches an agreement with the EU about withdrawing in an orderly manner and any continuing uncertainty is unwelcome to our business. By way of a failsafe, though, we have already placed orders for certain extra components with our EU suppliers. That said, in the first two months of the new fiscal year, we are very pleased with UK and continental European trading, which is in line with the same period in 2017 when October and November were particularly good months.

In South Korea, the World's 12th largest economy[3] and the Group's largest net profit contributor, Q3 of calendar 2018 saw slightly slower GDP growth in relative terms at 2.0% compared with 2.8% in Q2 due largely to weaker construction and business investment. We anticipate that rising levels of air pollution may raise demand for mechanical ventilation units over natural ventilation products in fiscal 2019, resulting in a slowdown in our core natural ventilation business. We are, however, in the process of developing new solutions for the South Korean ventilation market. Most importantly, the trajectory of the South Korean economy remains enviably positive with FocusEconomics forecasting GDP growth of 2.6% in both 2019 and 2020 as Government spending increases and monetary policy remains accommodative. We are therefore positive on the medium-term outlook for our South Korean business.

Titon builds and delivers popular products and has a unique geographical spread. It has good people and a perennially strong balance sheet. We also continue to look for new opportunities for growth within our target markets. 2019 will be a more testing year in the UK and in South Korea as noted above. However, provided that Brexit doesn't negatively impact the UK economy we expect another year of growth in revenue and profits for Titon in line with market expectations.

On behalf of the Board.

K A Ritchie
Chairman

12 December 2018

Notes:

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

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

[3] *International Monetary Fund data at May 2018*

Unaudited Consolidated Income Statement
for the year ended 30 September 2018

	Unaudited 2018 £'000	2017 £'000
Revenue	**29,946**	28,011
Cost of sales	**(21,920)**	(20,746)
Gross profit	**8,026**	7,265
Distribution costs	**(704)**	(717)
Administrative expenses	**(4,707)**	(4,249)
Research and development expenses	**(446)**	(467)
Other income	**19**	18
Operating profit	**2,188**	1,850
Finance income	**13**	10
Share of post-tax profits from associate	**778**	633
Profit before tax	**2,979**	2,493
Income tax expense	**(352)**	(269)
Profit after income tax	**2,627**	2,224
Attributable to:		
Equity holders of the parent	**2,113**	1,804
Non-controlling interest	**514**	420
Profit for the year	**2,627**	2,224
Earnings per share attributed to equity holders of the parent:		
Basic	**19.17p**	16.55p
Diluted	**18.88p**	16.24p

Unaudited Consolidated Statement of Comprehensive Income
for the year ended 30 September 2018

	Unaudited 2018 £'000	2017 £'000
Profit for the year	**2,627**	2,224
Other comprehensive income - items which may be reclassified to profit or loss in subsequent periods:		
Exchange difference on retranslation of net assets of overseas operations	**423**	(443)
Total comprehensive income for the year	**3,050**	1,781
Attributable to:		
Equity holders of the parent	**2,399**	1,509
Non-controlling interest	**651**	272
	3,050	1,781

Unaudited Consolidated Statement of Financial Position
at 30 September 2018

	Unaudited 2018 £'000	2017 £'000
Assets		
Property, plant and equipment	**3,655**	3,548
Intangible assets	**737**	638
Investments in associates	**2,876**	1,966
Deferred tax assets	**52**	116
Total non-current assets	**7,320**	6,268
Inventories	**5,667**	4,670
Trade and other receivables	**7,799**	6,644
Income tax receivable	**12**	79
Cash and cash equivalents	**3,415**	3,269
Total current assets	**16,893**	14,662
Total Assets	**24,213**	20,930
Liabilities		
Deferred tax liability	**37**	39
Total non-current liabilities	**37**	39
Trade and other payables	**5,554**	4,627
Income tax payable	**154**	63
Total current liabilities	**5,708**	4,690
Total Liabilities	**5,745**	4,729
Equity		
Share capital	**1,113**	1,098
Share premium reserve	**1,049**	985
Capital redemption reserve	**56**	56
Treasury shares	**(27)**	(27)
Foreign exchange reserve	**502**	216
Retained earnings	**13,554**	11,887
Total Equity attributable to equity holders of the parent	**16,247**	14,215
Non-controlling Interest	**2,221**	1,986
Total Equity	**18,468**	16,201
Total Liabilities and Equity	**24,213**	20,930

Unaudited Consolidated Statement of Changes in Equity
at 30 September 2018

	Share Capital	Share premium reserve	Capital redemption reserve	Foreign xchange reserve	Treasury shares	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£'000	£'000	£'000	£'000	£000	£'000	**£'000**	£'000	**£'000**
At 1 October 2016	**1,091**	**950**	**56**	**511**	**(27)**	**10,479**	**13,060**	**1,714**	**14,774**
Translation differences on overseas operations	-	-	-	(295)	-	-	**(295)**	(148)	**(443)**
Profit for the year	-	-	-	-	-	1,804	**1,804**	420	**2,224**
Total Comprehensive Income for the year	-	-	-	(295)	-	1,804	**1,509**	272	**1,781**
Dividends paid	-	-	-	-	-	(410)	**(410)**	-	**(410)**
Share-based payment expense	-	-	-	-	-	14	**14**	-	**14**
Ordinary shares issued	7	35	-	-	-	-	**42**	-	**42**
At 30 September 2017	**1,098**	**985**	**56**	**216**	**(27)**	**11,887**	**14,215**	**1,986**	**16,201**
Translation differences on overseas operations	-	-	-	286	-	-	**286**	137	**423**
Profit for the year	-	-	-	-	-	2,113	**2,113**	514	**2,627**
Total Comprehensive income for the year	-	-	-	286	-	2,113	**2,399**	651	**3,050**
Dividends paid	-	-	-	-	-	(489)	**(489)**	-	**(489)**
Dividends paid to NCI in subsidiary	-	-	-	-	-		**-**	(416)	**(416)**
Share-based payment expense	-	-	-	-	-	43	**43**	-	**43**
Ordinary shares issued	15	64	-	-	-	-	**79**	-	**79**
At 30 September 2018	**1,113**	**1,049**	**56**	**502**	**(27)**	**13,554**	**16,247**	**2,221**	**18,468**

Unaudited Consolidated Statement of Cash Flows
for the year ended 30 September 2018

	Unaudited 2018 £'000	2017 £'000
Cash generated from operating activities		
Profit before tax	**2,979**	2,493
Depreciation of property, plant & equipment	**448**	438
Amortisation of intangible assets	**209**	175
Profit on sale of plant & equipment	**(16)**	-
Share based payment expense – equity settled	**43**	14
Finance income	**(13)**	(10)
Share of associate's post-tax profit	**(778)**	(633)
	2,872	2,477
Increase in inventories	**(836)**	(133)
Increase in receivables	**(890)**	(161)
Increase in payables and other current liabilities	**792**	57
Cash generated from operations	**1,938**	2,240
Income taxes paid	**(132)**	(390)
Net cash generated from operating activities	**1,806**	1,850
Cash flows from investing activities		
Purchase of plant & equipment	**(578)**	(520)
Purchase of intangible assets	**(315)**	(186)
Proceeds from sale of plant & equipment	**46**	45
Finance income	**13**	10
Net cash used in investing activities	**(834)**	(651)
Cash flows from financing activities		
Exercise of Share Options	**79**	42
Dividends paid to equity shareholders of the parent	**(489)**	(410)
Dividends paid to Non-controlling shareholders of a subsidiary	**(416)**	-
Cash withdrawn from / (transferred to) treasury deposit accounts	**300**	(100)
Net cash used in financing activities	**(526)**	(468)
Net increase in cash (excluding movement on treasury deposits)*	**446**	731
Cash at beginning of the year (excluding treasury deposits)	**2,069**	1,338
Cash at end of the year (excluding treasury deposits)	**2,515**	2,069

The cash and cash equivalents figure on the Consolidated Statement of Financial Position includes both the cash at the year end and the cash on treasury deposit of £900,000 (2017: £1,200,000) and totals £3,415,000 at 30 September 2018 (2017: £3,269,000).

*The net increase in cash including the movements on treasury deposits for the year is £146,000 (2017: £831,000).

In respect of this change in presentation of the Consolidated Statement of Cash Flows, the comparative figures have been amended.

1 Earnings per ordinary share

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

	2018	2017
	£'000	£'000
Numerator		
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	**2,113**	1,804
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**11,024,243**	10,903,394
Effect of dilutive potential ordinary shares : Share Options	**165,212**	207,855
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,189,455**	11,111,249
Earnings per share (pence)		
Basic	**19.17p**	16.55p
Diluted	**18.88p**	16.24p

2 Dividends

	2018	2017
	£'000	£'000
Final 2017 dividend of 2.70 pence (2016: 2.25 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**295**	245
Interim dividend of 1.75 pence (2017: 1.50 pence) per ordinary share paid during the year	**194**	165
	489	410

The Directors are proposing a final dividend of 3.0 pence (2017: 2.70 pence) per share. This will result in a final dividend totalling £334,013 (2017: £296,561), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

3 Revenue and segmental information

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

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

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

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

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

Operating segment

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

For the year ended 30 September 2018	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	15,221	11,561	652	2,941	30,375
Inter-segment revenue	(429)	-	-	-	(429)
Total Revenue	**14,792**	**11,561**	**652**	**2,941**	**29,946**
Segment profit	**1,005**	**2,084**	**(109)**	**(1)**	**2,979**
Tax expense					(352)
Profit for the year					**2,627**
Depreciation and amortisation	607	49	1	-	657
Total assets	14,087	9,888	238	-	24,213
Total assets include: Investments in associates	2,651	-	-	-	2,651
Additions to non-current assets (other than financial instruments and deferred tax assets)	889	4	-	-	893

The South Korea Segment profit includes the Group's share of the profits from the Associate of £778,000

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £11.56m represent 38% of Group Revenue (2017: £9.53m – 34%). There are no other concentrations of revenue above 10% during the year. (see Note 5 - 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 2018	United Kingdom	Europe	North America	Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	17,733	-	652	11,561	-	29,946
By country from which derived	14,792	2,804	652	11,639	59	29,946
Non-current assets						
By entities' country of domicile	4,439	-	23	2,858	-	7,320

Operating segment

For the year ended 30 September 2017	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	14,823	9,530	1,781	2,735	28,869
Inter-segment revenue	(858)	-	-	-	(858)
Total Revenue	**13,965**	**9,530**	**1,781**	**2,735**	**28,011**
Segment profit	**706**	**1,638**	**166**	**(17)**	**2,493**
Tax expense					(269)
Profit for the year					**2,224**
Depreciation and amortisation	563	49	1	-	613
Total assets	12,916	7,704	310	-	20,930
Total assets include: Investments in associates	1,741	-	-	-	1,741
Additions to non-current assets (other than financial instruments and deferred tax assets)	672	34	-	-	706

The South Korea Segment profit includes the Group's share of the profits from the Associate of £633,000

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £9.53m represent 34% of Group Revenue (2016: £7.11m – 30%). There are no other concentrations of revenue above 10% during the year (see Note 5 - Related party transactions).

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

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

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

	2018 £'000	2017 £'000
Trickle ventilation and window and door hardware products	**23,194**	21,734
Mechanical ventilation products	**6,752**	6,277
Revenue	**29,946**	28,011

4 Tax expense

	2018	2017
Current income tax:	**£'000**	£'000
Corporation tax expense	**(307)**	(249)
Adjustment in respect of prior years	**17**	(43)
	(290)	(292)
Deferred tax:		
Origination and reversal of temporary differences	**(62)**	23
Income tax expense	**(352)**	(269)

The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before tax	**2,979**	2,493
Effect of:		
Expected tax charge based on the standard rate of Corporation tax in the UK of 19.0% (2017: 19.5%)	**(566)**	(486)
Additional deduction for R&D expenditure	**148**	171
Effect of Associate's results reported net of tax	**151**	127
Expenses not deductible for tax purposes	**(31)**	(11)
Difference in overseas tax rates	**(47)**	(27)
Withholding taxes paid on Subsidiary's dividend	**(24)**	-
Adjustments in respect of prior periods	**17**	(43)
Income tax expense	**(352)**	(269)

5 Related party transactions

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

During the year the Company recharged management service fees and rent to other wholly-owned Group members totalling £384,000 (2017: £351,000).

Titon Korea Co. Ltd., the 51% owned subsidiary, paid a dividend during the year to its shareholders amounting to £849,000 (2017: £nil). Of this amount, £433,000, before withholding tax, was paid to the Company with the other £416,000 being paid to the non-controlling interests.

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

	Sales of goods		Amount owed by related party	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Browntech Sales Co. Ltd	**11,561**	9,530	**4,059**	2,798

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

Key management who hold the authority and responsibility for planning, directing and controlling activities of the Group are comprised solely of the Directors. Aside from compensation arrangements, there were no transactions, agreements or other arrangements, direct or indirect, during the year in which the Directors had any interest.

6 Principal risk and uncertainties

The key financial and non-financial risks faced by the Group are disclosed in the Group's Annual Report and Accounts for the year ended 30 September 2017 within the Report on Risk Management (pages 9 to 13) available at www.titonholdings.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business.

7 Basis of preparation

The financial information for the year ended 30 September 2018 together with the comparative year has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The accounting policies of the Group under International Financial Reporting Standards (IFRSs) are set out in detail in the 2017 Financial Statements which are available from the Group's website at www.titonholdings.com.

Except for the implementation of the amendments below, which had no material impact on the Group, there have been no changes to the accounting policies during the year.

- **Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12).** The amendments to IAS 12 are intended to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instrument financial assets measured at fair value.
- **Disclosure Initiative: Amendments to IAS 7**. The amendments to IAS 7 are intended to improve information provided to users of financial statements about changes in financial liabilities, and financial assets if they meet the same definition, arising from an entity's financing activities. Entities will be required to disclose the cash flow and non-cash changes arising from these financing activities.

The information in this preliminary announcement does not constitute the statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006 for the year ended 30 September 2018 or 2017.

The financial information for the year ended 30 September 2017 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the year ended 30 September 2018 is unaudited. The statutory accounts for that year will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 20 February 2019.