

Titon Holdings Plc

Preliminary results for the year to 30 September 2019

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 preliminary results for the year ended 30 September 2019.

Summary Financial Results

	2019	2018* (restated)*	Change (%)
Net revenue	£27.2m	£29.8m	-9%
Underlying EBITDA ¹	£2.58m	£2.67m	-3%
EBITDA	£2.40m	£2.67m	-10%
Underlying profit before tax ¹	£2.15m	£2.77m	-22%
Profit before tax	£1.97m	£2.77m	-29%
Underlying basic earnings per share (EPS) ¹	14.5p	18.2p	-20%
Full year dividends per share	4.75p	4.75p	-

Financial Highlights

- Net revenue declined 9% to £27.2 million (2018: £29.8 million) as a result of the previously announced slowdown in South Korea
- Gross profit margin increased from 28.9% to 30.2%
- Underlying EBITDA¹ fell by 3% to £2.58 million
- Underlying profit before tax of £2.15 million (2018: £2.77 million)
- Proposed final dividend of 3.0 pence per share, (2018: 3.0 pence), which maintains the dividend for the full year at 4.75 pence per share
- Net cash at 30 September 2019 increased 34% to £4.59 million (2018: £3.42 million)
- £480,000 paid in dividends by Titon Korea to the Company during the period
- Underlying return on capital employed (ROCE)² 14.6% (2018: 15.5%)

Operational highlights

- The Group’s UK and European based businesses saw revenue rise 1% in the year:
 - mechanical ventilation systems again performed well, with growth in the UK of 7% and overall growth of 4%;
 - revenue from the UK window & door hardware business was slightly lower than in 2018 overall whilst Titon branded door and window products recorded further growth of 20% in revenue;
 - Export sales of mechanical and hardware products fell by 5.7% as European markets weakened.
- Titon Korea’s revenue fell 27% and its net profit after tax fell by 23% as a result of the slowdown in residential construction activity and the market shift towards mechanical ventilation. However, South Korea in total (Titon Korea and Browntech Sales Co.), contributed 54% of underlying profit before tax¹ (2018: 68%);
- Sales in the USA grew by 51% to £983,000 in the year;
- The Group has continued to promote the benefits of good indoor air quality in the UK, working closely with the relevant trade associations;
- Continuing focus on product development where new products are to be introduced in UK and European Ventilation Systems and Window & Door Hardware divisions in 2020, together with the launch of new products to meet changing demand in South Korea.

Executive Chairman, Keith Ritchie, said:

“It has been a more challenging year for Titon with revenue lower by 9% at £27.2 million, year-on-year and, whilst the gross margin rose and underlying EBITDA was just 3% lower, underlying profit before tax declined by 22% to £2.15 million. The prime factor in this performance was the slow-down in South Korea, which I reported on earlier in the year. During the year, too, Titon was profitable and cash generative; and the dividend for the year is maintained.

The UK economy continues to grow at between 1% and 2% which is below trend. However, it continues to be positive during what has been a prolonged period of political and economic uncertainty. In South Korea, the Group’s largest net profit contributor, 2019 saw growth in GDP of about 2.0%, which is also below trend. In 2020 and 2021, GDP is forecast to grow by 2.2% and 2.3% respectively³ as the Government continues its expansionary fiscal stance together with two interest rate cuts by the Bank of Korea. For Titon, it will be a year of transition for its natural ventilation products in South Korea as economic growth recovers and new products are launched. Revenue at Titon Korea in fiscal 2020 will be lower than in 2019.

Our business model is robust but we continue to face political and economic uncertainties which have contributed to a challenging first two months of the fiscal year. Titon builds and delivers popular products across a unique geographical spread and a number of core market positions. We have good people, a strong balance sheet and continue to seek new growth opportunities in our target markets”.

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**Prior period figures for the year to 30 September 2018 have been restated pursuant to the announcement made by the Company on 19 March 2019, further details of which are included in note 6 of the Preliminary Announcement*

Notes:

¹ Underlying EBITDA, underlying profit before tax and underlying EPS in the period are calculated by adding back an exceptional item of £181,000 which relates to transaction related costs in respect of a potential acquisition which did not proceed

² Underlying ROCE is calculated by dividing Underlying EBIT by capital employed (capital employed being the sum of shareholders’ funds, non-controlling interests and all debt less intangible assets and cash)

³ Focus Economics forecasts

Chairman's Statement

As announced in early 2019, a slow-down in trading coupled with changing product preferences towards mechanical ventilation units in South Korea has resulted in a reduction in the Group's underlying profit before tax of 22%. Our UK, European and US operations have, however, traded satisfactorily and the total dividend for the year has been maintained. At the same time, our balance sheet has continued to strengthen as net cash increased significantly to £4.6 million.

Profit and loss

As noted below, all 2018 amounts, where relevant, have been restated. In the year ended 30 September 2019, the Group's net revenue (which excludes inter-segment activity) reduced by 9% to £27.2 million (2018: £29.8 million). On a constant currency basis, there was no material change to the 2019 net revenue (2018: an increase of 8%).

The Group's gross margin increased from 28.9% to 30.2% as a result of changes in the geographical mix of sales. Underlying operating profit¹ fell 10.2% to £1.8 million (2018: £2.0 million) and the Group realised an underlying operating profit margin¹ of 6.7% (2018: 6.8%).

Net interest contributed £12,000 (2018: £13,000) while the share of profits from the Group's South Korean associate fell from £741,000 to £329,000 resulting in underlying profit before tax¹ of £2.15 million (2018: £2.77 million). On a constant currency basis there was no material change to the 2019 or the 2018 profit before tax.

Underlying EBITDA¹ was 3.4% lower at £2.58 million (2018: £2.67 million) and underlying earnings per share¹ for the year was 14.5 pence (2018: 18.2 pence). The underlying effective rate of taxation¹ of the Group fell to 10.2% (2018: 15.5%).

The Directors are proposing a final dividend of 3.0 pence per share (2018: 3.0 pence). When added to the interim dividend of 1.75 pence, paid on 21 June 2019 (2018: 1.75 pence), this represents a total dividend for the year of 4.75 pence (2018: 4.75 pence). If approved by shareholders at the forthcoming Annual General Meeting on 18 February 2020, the dividend will be payable on 21 February 2020 to shareholders on the register at 16 January 2020. The ex-dividend date is 17 January 2020.

Statements of financial position and cash flows

The Group benefits from a robust and liquid balance sheet. Net assets, including non-controlling interests, rose by £0.63 million to £17.7 million in the year to 30 September 2019, at which point net cash stood at £4.59 million (2018: £3.41 million), which is equivalent to 25.9% of net assets (2018: 20.0%). Inventory levels at the year-end fell by £783,000 on 2018 due to a reduction in stock levels in South Korea. This, along with a reduction in the level of other working capital required in South Korea, has contributed to cash generated from operations increasing to £3.28 million (2018: £1.94 million). Capital expenditure increased slightly to £902,000 (2018: £893,000) and the Group paid dividends to the shareholders of Titon Holdings Plc of £526,000 (2018: £489,000). During the course of the year Titon Korea paid a further dividend to Titon Holdings Plc and non-controlling shareholders, resulting in £480,000 of cash being paid to Titon Holdings Plc and a cash outflow from the Group to Non-Controlling Interests of Titon Korea of £488,000 (2018: £416,000). The overall effect has been a net increase in the Group's cash reserves in the period of £1.17 million (2018: £146,000). Net current assets at 30 September 2019 were £10.1 million (2018: £9.8 million) with a Quick Ratio² of 2.1 (2018: 1.6). Underlying ROCE³ was 14.6% (2018: 15.5%).

Segment analysis

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

UK and Europe

Overall, revenue from the UK and Europe increased by 1% in fiscal 2019.

Revenue from the Hardware business, comprising sales of our traditional trickle vents plus window and door hardware, was slightly lower in the year as export sales fell by 19% and sales into the PVCu, Timber and Aluminium sectors of the UK market were flat as markets weakened. Sales of Titon branded door and window hardware products continued to show growth of 20% in the fiscal year.

In our Ventilation Systems business, the revenues from mechanical ventilation products increased by 4%, with sales in the UK up 7% despite a slowdown in our key London and South East markets where delays in projects are being experienced. Mechanical ventilation sales in mainland Europe were slightly down on 2018 as a number of the major European economies slowed and the uncertainty caused by Brexit led to customers' normal purchasing patterns being disrupted.

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 continue in 2020. A focus on the importance of air quality, both outdoors and indoors, continues to sharpen as the impact of poor-quality air on health is better understood by the medical profession, governments and consumers. For our part, we continue to work with our trade associations to promote ventilation and specifically with 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. Beama also continues to sponsor the Healthy Homes and Buildings All Party Parliamentary Group and the Air Pollution All Party Parliamentary Group.

In October 2019 the Ministry of Housing, Communities and Local Government (MHCLG) published "The Future Homes Standard", which includes a consultation on changes to Part L (Conservation of fuel and power) and Part F (Ventilation) of the Building Regulations for new dwellings. Both of these Building Regulations are important to the sale of our ventilation products in the UK. We will be commenting on the proposed changes to both sets of Building Regulations before the closing date in January 2020. MHCLG have indicated that they hope to bring into force the proposed changes by mid/late 2020 although this date will, of course, be subject to the usual parliamentary priorities. Our initial view is that the proposals may alter the mix of ventilation products supplied to the market. We await proposals from MHCLG on the refurbishment sector, non-domestic buildings and over-heating in due course.

The value of UK private and public housebuilding output is forecast to increase in 2019 by 2.3% against calendar 2018 according to Experian's most recent UK Construction forecast, and by a further 2.3% in 2020. At the same time, the expected value of repair, maintenance and improvement (RMI) in the private and public residential sectors is forecast to be down by 1% in 2019 against 2018, although it is then expected to rise by 2.3% in 2020.

South Korea

In South Korea, the Group's subsidiary, Titon Korea (51% owned), manufactures natural window ventilation products and remains the national market leader with an estimated market share in this core sub-sector in excess of 75%. In February 2019 we issued a trading update in respect of our South Korean business identifying a slowdown in the domestic residential development market and the presence of dust-based air pollution, largely from China. The latter impact increased the relative demand for mechanical ventilation products which, in turn, reduced the demand for natural ventilation products. These factors have resulted in a reduction in revenue to £8.3 million (2018: £11.4 million) whilst the contribution to Group profit before tax declined to £0.82 million (2018: £1.1 million).

The Group's associate company (49% owned), Browntech Sales Co. Limited ('BTS'), which principally distributes Titon Korea's natural ventilation products, was accordingly impacted by the downturn experienced by Titon Korea. The profit recognised in respect of associates (which is all BTS) was 56% lower in 2019 at £329,000 (2018: £741,000). In addition to distributing ventilation products in South Korea, BTS invests in and develops schemes in the domestic residential real estate market. There have been no further changes to the status of BTS's investments in the South Korean residential real estate market since the 2019 Interim Results.

Despite the reduction in profits from South Korea that we have experienced this year and taking Titon Korea and BTS together, South Korea remains the largest contributor to the Group's profit before tax at £1.15 million for the year (2018: £1.84 million). We have continued to commit resources to designing new products for the South Korean market and a new natural ventilation product with increased filtration has been designed by our Research & Development team in the UK and it is now in the process of being tooled up in Korea. The product will be on sale in the second half of fiscal 2020.

United States

Finally, as I noted in the 2019 Interim Results Statement, results from our US business have improved significantly in the period. Sales for the twelve months increased by 51% to £983,000 (2018: £652,000) and, while Titon Inc. made no statutory profits in the full year, it generates a return for our UK manufacturing business and makes a contribution to Group income.

Board

As noted in the Interim Report, we appointed Mr Bernd Ratzke to the Titon Board as an independent Non-executive Director and he has immediately made a contribution to the Board's discussions and to other legal matters impacting the day-to-day activities of the Group. There have been no other changes to the Board during the fiscal year.

Employees

As ever, 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. Although the business has not grown this year as we would have liked, this is not down to their contribution which, as usual, has been substantial.

Restatement

As reported in the 2019 Interim Results Statement, we announced in March 2019 that certain costs and revenues associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, in error, not been correctly accounted for in the relevant periods. This related to the incorrect accounting apportionment of costs and revenues between first and second fix installations of products manufactured by our 51% subsidiary, Titon Korea and sold by Browntech Sales Co. Ltd., our 49% owned associate company. The result of this error was a non-cash reduction of total equity attributable to equity holders of Titon by £826,000 from the figure shown in the 2018 Annual Report. In this Statement the total equity and other comparative 2018 numbers have been restated. For the fiscal year to 30 September 2018, revenue has been reduced by £172,000 to £29.8 million and profit before tax has been reduced by £209,000.

Investors

We have now been listed on the AIM market for one year since our move from the Main Market of the London Stock Exchange and I hope that shareholders have benefited from this move.

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 four years. Shore Capital, our Nominated Adviser and broker, has initiated research coverage on Titon during the year by publishing a research note on the Group in August 2019 entitled "Improving the air that we breathe", a sentiment we share. Finally, 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

Despite the previously reported challenges in the Korean market, the Group remained profitable and cash generative. The dividend for the year was maintained at the same level as 2018, whilst our net cash reserves also increased significantly, further strengthening the Group's balance sheet.

The UK economy continues to grow, albeit at a slower rate than forecast at this time last year. How much of this slower growth is down to Brexit is difficult to say but sentiment amongst many consumers and businesses

in the UK (and within the wider EU) is that uncertainty about Brexit has hit confidence and impacts adversely on trading. At Titon, we increased the buying of stock in advance of a possible Brexit date twice in 2019, to no benefit. We urge our politicians, of whichever party wins the General Election, to give certainty to the Country. Without it, of course, it is difficult to plan and commit funds to new investments. As a business and sector, too, we are subject to amendments to the current UK regulatory regime for ventilation and conservation of fuel and power, which could change demand for our passive and powered ventilation products.

In South Korea, the Group's largest net profit contributor, 2019 saw modest growth in GDP throughout the year of about 2.0%, which is below trend. The South Korean economy should continue to grow in 2020 with Focus Economics forecasting a rise in GDP in 2020 of 2.2% and 2.3% in 2021 as the Government continues its expansionary fiscal stance together with the impact of two interest rate cuts by the Bank of Korea. As noted above, we are in a transitional period for our natural ventilation products in South Korea as market requirements change. Whilst we will be launching new products for this market in the second half of 2020, we expect adoption over a period of time. As a result, we anticipate that sales in Titon Korea in fiscal 2020 will be lower than in 2019.

Our business model is robust but we continue to face political and economic uncertainties which have contributed to a challenging first two months of the fiscal year. Titon builds and delivers popular products across a unique geographical spread and a number of core market positions. We have good people, a strong balance sheet and continue to seek new growth opportunities in our target markets.

On behalf of the Board.

K A Ritchie
Chairman

11 December 2019

Notes:

¹Underlying Operating profit, Underlying Profit before tax, Underlying EBITDA and Underlying EPS in the period are non-IFRS measures which are calculated by adding back an exceptional item of £181,000, which relates to transaction related costs in respect of a potential acquisition which did not proceed.

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

³ Underlying ROCE is calculated by dividing Underlying EBIT by capital employed (capital employed being the sum of shareholders' funds, non-controlling interests and all debt less intangible assets and cash).

Unaudited Consolidated Income Statement
for the year ended 30 September 2019

	Unaudited 2019 £'000	Restated* 2018 £'000
Revenue	27,157	29,774
Cost of sales	(18,959)	(21,170)
Gross profit	8,198	8,604
Distribution costs	(1,489)	(1,454)
Administrative expenses	(4,415)	(4,707)
Research and development expenses	(504)	(446)
Transaction related expenses	(181)	-
Other income	20	19
Operating profit	1,629	2,016
Finance income	12	13
Share of post-tax profits from associate	329	741
Profit before tax	1,970	2,770
Income tax expense	(186)	(315)
Profit after income tax	1,784	2,455
Attributable to:		
Equity holders of the parent	1,423	2,007
Non-controlling interest	361	448
Profit for the year	1,784	2,455
Earnings per share attributed to equity holders of the parent:		
Basic	12.84p	18.21p
Diluted	12.68p	17.94p

* See note 6 for details regarding the restatement of prior year results

Unaudited Consolidated Statement of Comprehensive Income
for the year ended 30 September 2019

	Unaudited 2019 £'000	Restated* 2018 £'000
Profit for the year	1,784	2,455
<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	(201)	423
Total comprehensive income for the year	1,583	2,878
<i>Attributable to:</i>		
Equity holders of the parent	1,323	2,293
Non-controlling interest	260	585
	1,583	2,878

* See note 6 for details regarding the restatement of prior year results

Unaudited Consolidated Statement of Financial Position
at 30 September 2019

	Unaudited 30.9.19 £'000	Restated* 30.9.18 £'000	Restated* 01.10.17 £'000
Assets			
Property, plant and equipment	3,799	3,655	3,548
Intangible assets	718	737	638
Investments in associates	2,894	2,586	1,713
Deferred tax assets	281	348	375
Total non-current assets	7,692	7,326	6,274
Inventories	4,884	5,667	4,670
Trade and other receivables	5,446	7,799	6,644
Income tax receivable	-	12	79
Cash and cash equivalents	4,587	3,415	3,269
Total current assets	14,917	16,893	14,662
Total Assets	22,609	24,219	20,936
Liabilities			
Deferred tax liability	83	37	39
Total non-current liabilities	83	37	39
Trade and other payables	4,793	6,901	5,802
Income tax payable	12	154	63
Total current liabilities	4,805	7,055	5,865
Total Liabilities	4,888	7,092	5,904
Equity			
Share capital	1,113	1,113	1,098
Share premium reserve	1,049	1,049	985
Capital redemption reserve	56	56	56
Treasury shares	(27)	(27)	(27)
Foreign exchange reserve	402	502	216
Retained earnings	13,669	12,728	11,167
Total Equity attributable to equity holders of the parent	16,262	15,421	13,495
Non-controlling Interest	1,459	1,706	1,537
Total Equity	17,721	17,127	15,032
Total Liabilities and Equity	22,609	24,219	20,936

* See note 6 for details regarding the restatement of prior year results

**Unaudited Consolidated Statement of Changes in Equity
at 30 September 2019**

	Share Capital	Share premium reserve	Capital redemption reserve	Foreign exchange reserve	Treasury shares	Retained earnings	Total	Non- controlling interest	Total Equity restated*
	£'000	£'000	£'000	£'000	£000	£'000	£'000	£'000	£'000
At 30 September 2017 (as previously stated)	1,098	985	56	216	(27)	11,887	14,215	1,986	16,201
Restatement of post-tax profit for prior years *	-	-	-	-	-	(720)	(720)	(449)	(1,169)
30 September 2017 and at 1 October 2017 (as restated)	1,098	985	56	216	(27)	11,167	13,495	1,537	15,032
Translation differences on overseas operations	-	-	-	286	-	-	286	137	423
Profit for the year	-	-	-	-	-	2,007	2,007	448	2,455
Total Comprehensive Income for the year*	-	-	-	286	-	2,007	2,293	585	2,878
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 (as restated)	1,113	1,049	56	502	(27)	12,728	15,421	1,706	17,127
Accounting policy change IFRS 9	-	-	-	-	-	(19)	(19)	(19)	(38)
At 1 October 2018	1,113	1,049	56	502	(27)	12,709	15,402	1,687	17,089
Translation differences on overseas operations	-	-	-	(100)	-	-	(100)	(101)	(201)
Profit for the year	-	-	-	-	-	1,423	1,423	361	1,784
Total Comprehensive income for the year	-	-	-	(100)	-	1,423	1,323	260	1,583
Dividends paid	-	-	-	-	-	(526)	(526)	-	(526)
Dividends paid to NCI in subsidiary	-	-	-	-	-	-	-	(488)	(488)
Share-based payment expense	-	-	-	-	-	63	63	-	63
At 30 September 2019	1,113	1,049	56	402	(27)	13,669	16,262	1,459	17,721

* See note 6 for details regarding the restatement of prior year results

Unaudited Consolidated Statement of Cash Flows
for the year ended 30 September 2019

	Unaudited 2019 £'000	Restated* 2018 £'000
Cash generated from operating activities		
Profit before tax	1,970	2,770
Depreciation of property, plant & equipment	543	448
Amortisation of intangible assets	228	209
Profit on sale of plant & equipment	-	(16)
Share based payment expense – equity settled	63	43
Finance income	(12)	(13)
Share of associate's post-tax profit	(329)	(741)
	2,463	2,700
Decrease / (increase) in inventories	690	(836)
Decrease / (increase) in receivables	2,153	(890)
(Decrease) / increase in payables and other current liabilities	(2,033)	964
Cash generated from operations	3,273	1,938
Income taxes paid	(203)	(132)
Net cash generated from operating activities	3,070	1,806
Cash flows from investing activities		
Purchase of plant & equipment	(694)	(578)
Purchase of intangible assets	(209)	(315)
Proceeds from sale of plant & equipment	7	46
Finance income	12	13
Net cash used in investing activities	(884)	(834)
Cash flows from financing activities		
Exercise of Share Options	-	79
Dividends paid to equity shareholders of the parent	(526)	(489)
Dividends paid to Non-controlling shareholders of a subsidiary	(488)	(416)
Cash withdrawn from treasury deposit accounts	900	300
Net cash used in financing activities	(114)	(526)
Net increase in cash (including movement on treasury deposits)**	2,072	446
Cash at beginning of the year (excluding treasury deposits)	2,515	2,069
Cash at end of the year (excluding treasury deposits)	4,587	2,515

* See note 6 for details regarding the restatement of prior year results

The Group 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 £nil (2018: £900,000) and totals £4,587,000 at 30 September 2019 (2018: £3,415,000).

**The net increase in Group cash including the movements on treasury deposits for the year is £1,172,000 (2018: £146,000).

1 Earnings per ordinary share

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

	2019 £'000	2018 restated* £'000
Numerator		
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings Plc	1,423	2,007
Denominator	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	11,083,750	11,024,243
Effect of dilutive potential ordinary shares: Share options	142,560	165,212
Weighted average number of ordinary shares for the purposes of diluted earnings per share	11,226,310	11,189,455
Earnings per share (pence)		
Basic	12.84p	18.21p
Diluted	12.68p	17.94p

* See note 6 for details regarding the restatement of prior year results

2 Dividends

	2019 £'000	2018 £'000
Final 2018 dividend of 3.00 pence (2017: 2.70 pence) per ordinary share proposed and paid during the year relating to the previous year's results	332	295
Interim dividend of 1.75 pence (2018: 1.75 pence) per ordinary share paid during the year	194	194
	526	489

The Directors are proposing a final dividend of 3.0 pence (2018: 3.0 pence) per share. This will result in a final dividend totalling £332,512 (2018: £332,512), 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 below.

Operating segment

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

For the year ended 30 September 2019	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	15,567	8,329	983	2,774	27,653
Inter-segment revenue	(496)	-	-	-	(496)
Total Revenue	15,071	8,329	983	2,774	27,157
Segment profit	878	1,186	-	(94)	1,970
Tax expense					(186)
Profit for the year					1,784
Depreciation and amortisation	706	65	-	-	771
Total assets	14,459	7,846	304	-	22,609
Total assets include:	2,669	-	-	-	2,669
Investments in associates					
Additions to non-current assets (other than financial instruments and deferred tax assets)	866	36	-	-	902

The South Korea Segment profit includes the Group's share of the profits from Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £329,000.

Sales to BTS of £8.33m represented 31% of Group Revenue (2018: £11.39m – 38%). 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 2019	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues						
By entities' country of domicile	17,845	-	983	8,329	-	27,157
By country from which derived	15,073	2,742	983	8,329	30	27,157
Non-current assets						
By entities' country of domicile	4,642	-	30	3,020	-	7,692

Operating segment

For the year ended 30 September 2018 (restated)*	United Kingdom	South Korea	North America	All other countries	Consolidated
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	£'000	£'000	£'000	£'000	£'000
Segment revenue	15,221	11,389	652	2,941	30,203
Inter-segment revenue	(429)	-	-	-	(429)
Total Revenue	14,792	11,389	652	2,941	29,774
Segment profit	1,005	1,875	(109)	(1)	2,770
Tax expense					(315)
Profit for the year					2,455
Depreciation and amortisation	607	49	1	-	657
Total assets	14,087	9,894	238	-	24,219
Total assets include:	2,586	-	-	-	2,586
Investments in associates					
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 Browntech Sales Co. Ltd., (BTS), the Group's associate undertaking in South Korea, of £778,000.

Sales to BTS of £11.39m represented 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 (restated)*	United Kingdom	Europe	USA and Canada	South Korea	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	17,733	-	652	11,389	-	29,744
By country from which derived	14,792	2,804	652	11,389	137	29,744
Non-current assets						
By entities' country of domicile	4,439	-	23	2,858	-	7,320

* See note 6 for details regarding the restatement of prior year results

Information about the Group's products

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

	2019 £'000	2018 £'000
Trickle ventilation and window and door hardware products	20,134	23,022
Mechanical ventilation products	7,023	6,752
Revenue	27,157	29,774

4 Tax expense

	2019 £'000	2018 restated* £'000
Current income tax:		
Corporation tax expense	(73)	(307)

Adjustment in respect of prior years	-	17
	(73)	(290)
Deferred tax:		
Origination and reversal of temporary differences	(113)	(25)
Income tax expense	(186)	(315)

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit before tax	1,970	2,770
Effect of:		
Expected tax charge based on the standard rate of Corporation tax in the UK of 19.0% (2018: 19.0%)	(374)	(526)
Additional deduction for R&D expenditure	148	148
Effect of Associate's results reported net of tax	63	144
Expenses deductible / (not deductible) for tax purposes	25	(31)
Difference in overseas tax rates	(48)	(71)
Adjustments in respect of prior periods	-	17
Income tax expense	(186)	(315)

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.

Titon Korea Co. Ltd., the Company's 51% owned subsidiary, paid a dividend during the year to its shareholders amounting to £996,000 (2018: £849,000). Of this amount, £508,000 (2018: £433,000), before withholding tax, was paid to the Company with the other £488,000 (2018: £416,000) being paid to the non-controlling interests.

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

	Sales of goods		Amount owed by related party	
	2019 £'000	Restated* 2018 £'000	2019 £'000	2018 £'000
Browntech Sales Co. Ltd	8,329	11,389	1,975	4,059

* See note 6 for details regarding the restatement of prior year results

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 Restatement of prior year results

In March 2019 the Company discovered that the correct accounting policy had not been followed at its Korean subsidiary and associate and that the Consolidated Statement of Financial Position as at previous year ends, up to and including 30 September 2018, had been misstated. An explanation of the reason for the adjustment is included within the Chairman's Statement and the required restatements have been included within these preliminary results.

The effect of the restatement on the relevant lines within the Consolidated Statement of Financial Position as at 30 September 2017 and 30 September 2018 is as follows:

	Originally stated as at 30/09/2017	Adjust- ment	Restated as at 30/09/2017	Originally stated as at 30/09/2018	Adjust- ment	Restated as at 30/09/2018
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Investments in Associates	1,966	(253)	1,713	2,876	(290)	2,586
Deferred tax assets	116	259	375	52	296	348
Liabilities						
Trade and other payables	4,627	1,175	5,802	5,554	1,347	6,901
Equity						
Total Equity attributable to the equity holders of the parent	14,215	(720)	13,495	16,247	(826)	15,421
Non-controlling interest	1,986	(449)	1,537	2,221	(515)	1,706
Total Equity	16,201	(1,169)	15,032	18,468	(1,341)	17,127

The effect on the relevant lines of the Income Statement for the 12 months to September 2018 is as follows:

	12 months to September 2018		
	Originally stated £'000	Adjustment £'000	Restated £'000
Revenue	29,946	(172)	29,774
Profit before tax	2,979	(209)	2,770
Income tax (expense) / credit	(352)	37	(315)
Profit after income tax	2,627	(172)	2,455
Attributable to:			
Equity holders of the parent	2,113	(106)	2,007
Non-controlling interest	514	(66)	448
	2,627	(172)	2,455
Earnings per share attributable to equity holders of the parent			
Basic	19.17p		18.21p
Diluted	18.88p		17.94p

Additionally, during the period, the Directors have determined that it better reflects the classifications on the Income Statement to show carriage outwards as a Distribution Cost rather than being included within Cost of Sales.

As a result of this, Distribution Costs for the 12 month period to 30 September 2018 have been increased by £750,000 to £1,454,000 (previously reported as £704,000). Cost of Sales for 12 month period to 30 September 2018 have been reduced by £750,000 to £21,170,000 (previously reported as £21,920,000). There has been no overall impact on profit before tax or any Statement of Financial Position line item in any period as a result of this reclassification.

7 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 2018 within the Report on Risk Management (pages 13 to 18) available at www.titonholdings.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business.

8 Basis of preparation

The financial information for the year ended 30 September 2019 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 2018 Financial Statements which are available from the Group's website at www.titonholdings.com.

The Group has adopted the following new standards (effective 1 January 2018) in these preliminary results:

- **IFRS 15 Revenue from contracts with customers.** IFRS 15 sets out a single and comprehensive framework for revenue recognition. The guidance in IFRS 15 is considerably more detailed than previous IFRS's for revenue recognition (IAS 11 Construction Contracts and IAS 18 Revenue and associated Interpretations). An assessment of the impact of IFRS 15 has been completed, including a comprehensive review of the contracts that exist across the Group's revenue streams and the new standard applied.

The key performance obligation of the Group has been identified as the point at which it delivers its products to its customers. As such, the Group's sale of goods performance obligations are satisfied at the point in time when the customer receives the goods. In South Korea this takes place in stages and the Group has determined that revenue is to be recognised over time, as first fix shipments receive customer acceptance that the product has been satisfactorily installed; and second fix shipments when they are provided to the customer

Revenue is recognised by the Group at a single point in time when control of goods passes on delivery, except for in South Korea, where revenue is recognised over time when initial and secondary activities are completed.

In carrying out the review, no differences were identified between the effects of using the risk and rewards approach to determining when to recognise revenue under IAS 18 and the passing of control over goods and services for satisfied performance obligations under IFRS 15. As a result no material changes have been identified.

- **IFRS 9 Financial instruments.** IFRS 9 addresses the classification and measurement of financial assets and liabilities and replaces IAS 39. Among other things, the standard introduces a forward-looking credit loss impairment model whereby entities need to consider and take into account losses that may occur in the future (an "expected loss" model). The Board has considered the impact of the introduction of IFRS9 and determined that a reduction in Group reserves of £38,000 as at 30 September 2018 is necessary. This amount relates to a provision against amounts due from the Group's associate. No additional provisions are considered necessary for the transition of the Group's previous methodology to the expected credit loss approach.

The information in this preliminary announcement does not constitute the statutory accounts of the Group and Parent Company within the meaning of Section 435 of the Companies Act 2006 for the year ended 30 September 2019 or 2018.

The financial information for the year ended 30 September 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The financial information for the year ended 30 September 2019 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 18 February 2020.