Titon Holdings PLC LEI: 213800ZHXS8G27RM1DD7

Final results for the year to 30 September 2017

Titon Holdings Plc, a leading international manufacturer and supplier of ventilation systems and window and door hardware, today announces its Final Results for the year ended 30 September 2017.

TITON DELIVERS ANOTHER RECORD YEAR

Financial Results

	2017	2016	% Change
Net revenue	£28.0m	£23.7m	+18
EBITDA	£2.46m	£2.33m	+6
EBIT	£1.85m	£1.77m	+4
Profit before tax	£2.49m	£2.14m	+17
Earnings per share (EPS)	16.55p	15.21p	+9
DPS	4.2p	3.5p	+20

Financial Highlights

- Group net revenue rose 18% to a record £28.0 million (2016: £23.7 million) which is an increase of 13% on a constant currency basis
- Profit before tax of £2.49 million increased 17% (2016: £2.14 million)
- Proposed final dividend of 2.70 pence per share, up 20% (2016: 2.25 pence) making 4.20 pence for the full year, up 20% (2016: 3.50 pence)
- Net cash of £3.27 million (2016: £2.44 million); and a Quick Ratio[1] of 2.13 (2016: 1.95)
- Return on capital employed (ROCE) [2] was 15.1% (2016: 15.1%) with Capital Turn[2] at 2.3x (2016: 2.0x)

Operational highlights

- South Korea's net profit after tax contribution rose by 49% and remains the Group's largest income generator after tax; and in Q3, South Korean GDP grew at 3.6%
- The UK-based businesses saw revenue rise 12% in fiscal 2017; and it was a particularly good year for mechanical ventilation products with exports doing well in both existing and new markets
- The UK hardware business also improved on last year with Titon branded door and window products recording 33% growth in revenue; other sub-sectors, however, grew at modest rates particularly in the latter fiscal months
- The Group has also continued to promote the benefits of good indoor air quality in the UK
- As noted at the half year, the strategic decision had been taken to withdraw from a new venture in fabricating commercial ducting and this is now complete at a net cost of £370,000

Executive Chairman Keith Ritchie said: "it was another record year for Titon with revenue of £28 million and a 17% increase in profit before tax to £2.5 million. The dividend for the year was also increased by 20% for the second year in a row.

"The UK economy continues to grow at a modest rate in both historic and relative terms. However, even the most pessimistic forecasts are at an average 1% or better for GDP growth per annum in calendar 2017 through 2019. These forecasts, too, are made cognisant of the protracted Brexit negotiations and the uncertainty associated with this process. For our part, at Titon we urge the Government to enter into a transitional agreement with the EU as soon as possible so as to ensure trade flows are not disrupted from April 2019.

"In the first two months of the new fiscal year, we are satisfied with UK and continental European trading, which is in line with the same period in 2016. October and November last year were exceptionally strong and we are pleased to have a similar performance this year.

"In South Korea[3], the World's 12th largest economy and the Group's largest net profit contributor, it is a dramatically different outlook with robust economic growth continuing; and doing so despite a swirl of domestic and international issues. For example, GDP grew at 3.6% in Q3 (after 2.7% in Q2). At the same time, FocusEconomics is forecasting GDP growth of 2.8% in 2018 (an upward revision in November of 0.1%) and 2.7% in 2019.

"Titon makes innovative and popular products, has a unique international spread, very good people and a consistently strong balance sheet. We will also continue to look for new opportunities within our target product and geographical markets. I look forward to another year of progress and one in line with market expectations".

For further information please contact Keith Ritchie: +44 (0) 1206 713821

Chairman's statement

It was another record year for Titon with revenue of £28 million and a 17% increase in profit before tax to £2.5 million. The dividend for the year was also increased by 20% for the second year in a row.

Profit and loss

In the year ended 30 September 2017, Titon's net revenue (which excludes inter-segment activity) rose 18% to £28.1 million (2016: £23.7 million). On a constant currency basis, however, the increase is 13%.

The gross margin dipped from 29.7% to 25.9% due to lower margins in South Korea and a closure debit while EBITDA was 6% higher at £2.46 million (2016: £2.33 million). Earnings before interest and tax (EBIT) or operating profit rose 4.4% to £1.85 million (2016: £1.77 million) with the operating margin slightly lower at 6.6% (2016: 7.5%) which was also impacted by the same closure costs which amounted to £370,000 and relate to a commercial ducting fabrication venture (which is explained below).

Net interest contributed £10,000 (2016: £8,000) while the share of profits from the Group's associate rose 78% to £633,000 (2016: £356,000) resulting in profit before tax of £2.49 million, which was an increase of 17% (2016: £2.14 million) or +11% to £2.36 million on constant currency basis.

Earnings per share for the year increased 9% to 16.6 pence (2016: 15.2 pence). Taxation was higher at 11% (2016: 9%) due to a higher deferred tax charge and the non-controlling interests' deduction increased from £317,000 to £420,000 which reflects the higher contribution from Titon Korea.

The Directors are proposing a final dividend of 2.7 pence per share (2016: 2.25 pence). When added to the interim dividend of 1.5 pence, paid on 23 June 2017 (2016: 1.25 pence), this would make a total for the year of 4.2 pence (2016: 3.5 pence) i.e. a 20% rise. If approved by shareholders at the forthcoming Annual General Meeting on 21 February 2018, the dividend is payable on 27 February 2018 to shareholders on the register at 19 January 2018. The ex-dividend date is 18 January 2018.

Statements of Financial Position and cash flows

Net assets including non-controlling interests rose £1.4 million to £16.2 million with net cash at £3.27 million (2016: £2.44 million) which is equivalent to 20.2% of net assets (2016: 16.5%). A lower working capital requirement during the year has resulted in a significant improvement in the cash generated from operations this year when compared to last year from £848,000 to £2.24 million. At the same time, lower capital expenditure in the year of £520,000 (2016: £721,000) has also helped cash generation. Whilst some of this improvement has been offset by higher tax and dividend payments, the subsequent cash inflow for the year was £831,000 (2016: outflow of £432,000).

Net current assets were £9.9 million (2016: £9.0 million) with a Quick Ratio[1] of 2.13 (2016: 1.95).

ROCE[2] was 15.1% (2016: 15.1%) with Capital Turn at 2.3 (2016: 2.0).

Segment Analysis

Revenue derived from UK-based businesses saw an increase of 12% in fiscal 2017. This included the Ventilation Systems business for mechanical ventilation products which generated a 12% rise in revenue, with exports doing particularly well. The latter reflects a continued targeting of and investment in new geographical markets. Other sub-sector UK sales were up marginally on 2016 across a wide and widening range of mechanical products. However, sales did slow down as the year progressed as a result of lower business demand outside 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 calendar 2018.

Titon has continued to promote the benefits of good indoor air quality in the UK through one of our trade associations, BEAMA (British Electrotechnical and Allied Manufacturers Association); and the aim here is to promote the use of ventilation products in the home to improve air quality. Given the increasing number of reports about poor levels of both outdoor and indoor air quality in the UK, we firmly believe that this is an area of our business which will continue to grow. Similarly, a number of public meetings of the All Party Parliamentary Group for Healthy Homes and Buildings were convened during the year which we have attended. In turn, a draft green paper has now been published, which sets out a number of recommendations for the Government. It will also ask for further input and comments from all interested parties.

Results for our UK Hardware business also improved on last year including a further increase in sales to the aluminium sector and a rise in door and window products to the Timber/PVCu segment of the market. I am also pleased to report that sales of Titon branded door and window hardware products have increased 33% in fiscal 2017 when compared with 2016.

In the UK, the value of both private and public housebuilding activity increased in Titon’s fiscal year by 8% and 13% respectively in real terms according to Office of National Statistics Office (ONS) data. At the same time, repair, maintenance and improvement (RMI) in the private residential sector housing rose by 9% in the year and 4% in the latest quarter. RMI in public residential, however, has declined in both periods.

As noted in the 2017 Interim Statement, we took the decision to withdraw from a new venture fabricating commercial ducting, which simply did not establish an economic niche in its target market place. This exit is now complete and, during the second half of the year, we have disposed of all of the stock, assets and debts from this venture which has resulted in a net loss for the full year of £370,000.

In South Korea, Titon’s subsidiary company, 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 2017, it also had a very good year with revenue increasing by 34% to £9.5 million, due to higher private sector demand, and its contribution to Group profit after tax was up by 34% to £821,000.

The Group’s associate company, Browntech Sales Co. Limited (‘BTS’) also operates exclusively in South Korea and it generated a significantly higher contribution in the year i.e. +78% to £633,000 (2016: £356,000), which is the entire Associate contribution to the Group Income Statement. 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. Three are active at this time, one in Seoul which is currently being marketed and another, in the form of a secured interest-bearing loan, has taken longer than anticipated to realise, but for which repayment is expected to commence in calendar year 2018. The third scheme is the development of a residential property in Seoul for which construction has only very recently commenced with completion expected in calendar 2018. All of these activities are budgeted to generate post tax profits for Titon as the 49% shareholder in BTS.

In combination, at the subsidiary and associate level, South Korea is the largest single contributor to the Group’s profit after tax; and in 2017 this number was markedly higher at £1,491,000 (2016: £1,003,000).

Finally, sales in the United States continued to grow. However, the contribution from Titon Inc. was lower in the year at £166,000 (2016: £281,000) as margins dipped due to increased competition locally. The market for natural ventilation products in the US continues to grow year on year. In scale it remains relatively modest at this time and it is geographically focused on the North East and the North West regions.

Board

As promulgated by way of a London Stock Exchange announcement in September, Nick Howlett has moved from Executive to Non-executive Director and retired from his role as Managing Director of Ventilation Systems. I would like to take this opportunity to thank Nick publicly for his contribution to the Group since 1991 and I am also very pleased that he has agreed to continue working for Titon as a Non-executive director.

Employees

My annual statement would not be complete without offering a heart-felt vote of thanks to the Group’s employees. Nor is this lip service, because without our team, Titon would not be able to grow and prosper as it has done over time; and once again in fiscal 2017. The number of people employed in the Group dipped last year from 237 at the end of September 2016 to 229 at the end of September 2017 due to redundancies associated with the decision to close the commercial ducting fabrication business noted above. Whilst we regret this action the strategic decision was not taken lightly and it was made in the best interests of the Group and, ultimately, its continuing work force. At the same time, we have continued to make increases in the wages of our weekly paid employees in line with the National Minimum Wage.

Investors

We have continued to engage the corporate research house Hardman & Co. which regularly writes and distributes investment research on Titon, which we believe has both widened interest in the Group and had a very positive impact in its share price over the past two years. On 3 January next year the UK and European investment research landscape will change dramatically with the implementation of MiFID II (Markets in Financial Instruments Directive) across 17 EU countries including the UK. Essentially, it means that investment banks will be legally bound to charge fund managers for investment research. In turn, this will most likely result in less notes being written on many companies particularly small and middle sized ones such as Titon. Happily, the corporate research sector, including Hardman, is not impacted by MiFID II.

Finally, here, I would like to mention 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

The UK economy continues to grow at a modest rate in both historic and relative terms. However, even the most pessimistic forecasts are at an average 1% or better for GDP growth per annum in 2018 and 2019. Similarly, Experian is forecasting construction output to grow at an average 1.3% per annum over the same three years. These forecasts, too, are made cognisant of the protracted Brexit negotiations and the uncertainty associated with this process. For our part, at Titon we urge the Government to enter into a transitional agreement with the EU as soon as possible so as to ensure trade flows are not disrupted from April 2019.

In the first two months of the new fiscal year, we are satisfied with UK and continental European trading, which is in line with the same period in 2016. October and November last year were exceptionally strong and we are pleased to have a similar performance this year.

In South Korea, the World's 12th largest economy[3] and the Group's largest net profit contributor, it is a dramatically different outlook with robust economic growth continuing; and doing so despite a swirl of domestic and international issues. For example, annualised GDP grew at 3.6% in Q3 (after 2.7% in Q2). At the same time, FocusEconomics is forecasting GDP growth of 2.8% in 2018 (an upward revision in November of 0.1%) and 2.7% in 2019. Positively, too, President Moon Jae-in, since 9 May, had made a refreshing and positive impact (after his predecessor was fired) and US President Donald Trump recently made a high profile visit to the Country. There is no change in North Korea where Kim Jong-un continues with his bellicosity but in terms of economic reality this has made very little impact. Another first class year is expected for Titon Korea and BTS.

Titon makes innovative and popular products, has a unique international spread, very good people and a consistently strong balance sheet. We will also continue to look for new opportunities within our target product and geographical markets. I look forward to another year of progress and one in line with market expectations.

On behalf of the Board

K A Ritchie
Chairman

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 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 (IMF) at April 2017

13 December 2017

Unaudited Consolidated Income Statement
for the year ended 30 September 2017

	Unaudited 2017 £'000	2016 £'000
Revenue	**28,011**	23,721
Cost of sales	**(20,746)**	(16,673)
Gross profit	**7,265**	7,048
Distribution costs	**(717)**	(756)
Administrative expenses	**(4,249)**	(3,998)
Research and development expenses	**(467)**	(539)
Other income	**18**	17
Operating profit	**1,850**	1,772
Finance income	**10**	8
Share of profits from associate	**633**	356
Profit before tax	**2,493**	2,136
Income tax expense	**(269)**	(184)
Profit after income tax	**2,224**	1,952
Attributable to:		
Equity holders of the parent	**1,804**	1,635
Non-controlling interest	**420**	317
Profit for the year	**2,224**	1,952
Earnings per share attributed to equity holders of the parent:		
Basic	**16.55p**	15.21p
Diluted	**16.24p**	14.95p

Unaudited Consolidated Statement of Comprehensive Income
for the year ended 30 September 2017

	Unaudited 2017 £'000	2016 £'000
Profit for the year	**2,224**	1,952
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	**(443)**	917
Total comprehensive income for the year	**1,781**	2,869
Attributable to:		
Equity holders of the parent	**1,509**	2,198
Non-controlling interest	**272**	671
	1,781	2,869

Unaudited Consolidated Statement of Financial Position
at 30 September 2017

	Unaudited 2017 £'000	2016 £'000
Assets		
Property, plant and equipment	**3,548**	3,511
Intangible assets	**638**	627
Investments in associates	**1,966**	1,464
Deferred tax	**116**	158
Total non-current assets	**6,268**	5,760
Inventories	**4,670**	4,586
Trade and other receivables	**6,644**	6,702
Corporation tax	**79**	-
Cash and cash equivalents	**3,269**	2,438
Total current assets	**14,662**	13,726
Total Assets	**20,930**	19,486
Liabilities		
Deferred tax	**39**	25
Total non-current liabilities	**39**	25
Trade and other payables	**4,627**	4,526
Corporation tax	**63**	161
Total current liabilities	**4,690**	4,687
Total Liabilities	**4,729**	4,712
Equity		
Share capital	**1,098**	1,091
Share premium reserve	**985**	950
Capital redemption reserve	**56**	56
Treasury shares	**(27)**	(27)
Translation reserve	**216**	511
Retained earnings	**11,887**	10,479
Total Equity attributable to equity holders of the parent	**14,215**	13,060
Non-controlling Interest	**1,986**	1,714
Total Equity	**16,201**	14,774
Total Liabilities and Equity	**20,930**	19,486

Unaudited Consolidated Statement of Changes in Equity
at 30 September 2017

	Share Capital	Share premium reserve	Capital redemption reserve	Trans-lation reserve	Treasury shares	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£'000	£'000	£'000	£'000	£000	£'000	**£'000**	£'000	**£'000**
At 1 October 2015	**1,063**	**891**	**56**	**(52)**	**(27)**	**9,119**	**11,050**	**1,043**	**12,093**
Translation differences on overseas operations	-	-	-	563	-	-	**563**	354	**917**
Profit for the year	-	-	-	-	-	1,635	**1,635**	317	**1,952**
Total Comprehensive Income for the year	-	-	-	563	-	1,635	**2,198**	671	**2,869**
Dividends paid	-	-	-	-	-	(324)	**(324)**	-	**(324)**
Share-based payment expense	-	-	-	-	-	49	**49**	-	**49**
Ordinary shares issued	28	59	-	-	-	-	**87**	-	**87**
At 30 September 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**

Unaudited Consolidated Statement of Cash Flows
for the year ended 30 September 2017

	Unaudited 2017 £'000	2016 £'000
Cash generated from operating activities		
Profit before tax	**2,493**	2,136
Depreciation of property, plant & equipment	**438**	400
Amortisation of intangible assets	**175**	156
Increase in inventories	**(133)**	(370)
Increase in receivables	**(161)**	(1,061)
Increase / (decrease) in payables and other current liabilities	**57**	(79)
Profit on sale of plant & equipment	**-**	(19)
Share based payment – equity settled	**14**	49
Interest received	**(10)**	(8)
Share of associate's profit	**(633)**	(356)
Cash generated from operations	**2,240**	848
Income taxes paid	**(390)**	(217)
Net cash generated from operating activities	**1,850**	631
Cash flows from investing activities		
Purchase of plant & equipment	**(520)**	(721)
Purchase of intangible assets	**(186)**	(163)
Proceeds from sale of plant & equipment	**45**	50
Interest received	**10**	8
Net cash used in investing activities	**(651)**	(826)
Cash flows from financing activities		
Exercise of Share Options	**42**	87
Dividends paid to equity shareholders	**(410)**	(324)
Net cash used in financing activities	**(368)**	(237)
Net increase / (decrease) in cash & cash equivalents	**831**	(432)
Cash & cash equivalents at beginning of the year	**2,438**	2,870
Cash & cash equivalents at end of the year	**3,269**	2,438

1 Earnings per ordinary share

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

	2017 £'000	2016 £'000
Numerator		
Earnings for the purposes of basic earnings per share being earnings after tax attributable to members of Titon Holdings PLC	**1,804**	1,635
Denominator	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**10,903,394**	10,752,964
Effect of dilutive potential ordinary shares : Share Options	**207,855**	184,129
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**11,111,249**	10,937,093
Earnings per share (pence)		
Basic	**16.55p**	15.21p
Diluted	**16.24p**	14.95p

2 Dividends

	2017 £'000	2016 £'000
Final 2016 dividend of 2.25 pence (2015: 1.75 pence) per ordinary share proposed and paid during the year relating to the previous year's results	**245**	188
Interim dividend of 1.50 pence (2016: 1.25 pence) per ordinary share paid during the year	**165**	136
	410	324

The Directors are proposing a final dividend of 2.7 pence (2016: 2.25 pence) per share. This will result in a final dividend totalling £296,561 (2016: £245,447), 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 house builders, 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.

3 Revenue and segmental information (continued)

Operating segment

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

For the year ended 30 September 2017	United Kingdom £'000	South Korea £'000	North America £'000	All other countries £'000	Consolidated £'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.

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £9.530m represent 35.1% of Group Revenue (2016: £7.110m – 30.0%). 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

3 Revenue and segmental information (continued)

Operating segment

The Directors primary review of performance is by geographical regions.

For the year ended 30 September 2016	United Kingdom	South Korea	North America	All other countries	Consolidated
	£'000	£'000	£'000	£'000	£'000
Segment revenue	13,651	7,110	1,715	1,995	24,471
Inter-segment revenue	(750)	-	-	-	(750)
Total Revenue	**12,901**	**7,110**	**1,715**	**1,995**	**23,721**
Segment profit	**810**	**1,135**	**260**	**(69)**	**2,136**
Tax expense					(184)
Profit for the year					**1,952**
Depreciation and amortisation	508	47	1	-	556
Total assets	12,786	6,098	602	-	19,486
Total assets include: Investments in associates	-	1,464	-	-	1,464
Additions to non-current assets (other than financial instruments and deferred tax assets)	839	43	2	-	884

The South Korea Segment profit includes the Group's share of the profits from the Associate.

Sales to Browntech Sales Co. Ltd (the Group's associate undertaking in South Korea) of £7.110m represent 30.0% of Group Revenue (2015: £7.161m – 32.2%). 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 2016	United Kingdom	Europe	North America	Asia	All other regions	Total
Revenues	£'000	£'000	£'000	£'000	£'000	£'000
By entities' country of domicile	14,896	-	1,715	7,110	-	23,721
By country from which derived	12,848	1,934	1,715	7,155	69	23,721
Non-current assets						
By entities' country of domicile	4,272	-	3	1,485	-	5,760

3 Revenue and segmental information (continued)

Operating segments

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.

	2017 £'000	2016 £'000
Trickle ventilation and window and door hardware products	**21,734**	17,931
Mechanical ventilation products	**6,277**	5,790
Revenue	**28,011**	23,721

4 Tax (expense) / credit

	2017 £'000	2016 £'000
Current income tax:		
Corporation tax expense	**(249)**	(256)
Adjustment in respect of prior years	**(43)**	3
	(292)	(253)
Deferred tax:		
Origination and reversal of temporary differences	**23**	69
Income tax expense	**(269)**	(184)

The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before tax	**2,493**	2,136
Effect of:		
Expected tax charge based on the standard rate of Corporation tax in the UK of 19.5% (2016: 20.0%)	**(486)**	(427)
Additional deduction for R&D expenditure	**171**	172
Effect of Associate's results reported net of tax	**127**	75
Expenses deductible / (not deductible) for tax purposes	**(11)**	33
Difference in overseas tax rates	**(27)**	(40)
Adjustments in respect of prior periods	**(43)**	3
Income tax expense	**(269)**	(184)

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.

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.

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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Browntech Sales Co. Ltd	**9,530**	7,110	**2,798**	2,575

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

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 2016 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 2017 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 2016 Financial Statements which is available from the Group's website at www.titonholdings.com.

Except for the implementation of the amendments below there have been no changes to the accounting policies during the year.

- Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations.
- Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Equity Method in Separate Financial Statements (Amendments to IAS 27). The amendments introduce an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.
- Annual Improvements to IFRSs (2012–2014 Cycle). These amendments affect the following IFRSs: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Prospective application), IFRS 7 Financial Instruments: Disclosures (Retrospective application), IAS 19 Employee Benefits (Beginning of earliest period presented), IAS 34 Interim Financial Reporting (Retrospective application).
- Disclosure Initiative: Amendments to IAS 1. The IASB has issued amendments to IAS 1 Presentation of Financial Statements as part of an initiative to improve presentation and disclosure in financial reports.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The narrow-scope amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities.

7 Basis of preparation (continued)

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 2017 or 2016.

The financial information for the year ended 30 September 2016 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 2017 is unaudited. The statutory accounts for that year will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent Auditors' Report will be based on those statutory accounts once they are complete. The statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 21February 2018.

For further information please contact:

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