

**Company** Titon Holdings PLC  
**TIDM** TON  
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**Titon Holdings Plc**  
**Preliminary Announcement for the year ended 30 September 2011**

**Chairman's Statement**

FINANCIAL PERFORMANCE

**Net Profit before Tax for the year to 30 September 2011 has fallen significantly to £34,000 (2010: £606,000), on Revenues 2.5% higher at £16.0 million (2010: £15.6 million). A UK corporation tax credit and a reduction in the Group's deferred tax provisions have, with other factors, resulted in an overall £155,000 income tax credit for the year (2010: charge of £199,000). The resulting Profit after Tax for the year is £189,000 (2010: £407,000) and the Earnings per Share is 1.62p (2010: 3.85p).**

Net cash balances at the year end were £2.85 million (2010: £3.11 million). Total capital expenditure acquired out of cash during the year was £735,000 (2010: £496,000). £202,000 of this expenditure relates to investment in hardware and software for a new ERP system to be introduced in the first half of 2012. In addition to this, £206,000 of intangible assets were funded by the issue of shares in subsidiary company, Titon Korea Co. Ltd (2010: £nil).

Reflecting the reduced Earnings and the difficult economic outlook, the Directors are proposing a final dividend of 1.00p per share (2010: 1.25p). This, when added to the interim dividend paid on 23 June 2011 gives a total for the year of 2.00p (2010: 2.25p). If approved by shareholders at the forthcoming Annual General Meeting, the dividend will be payable on 24 February 2012 to shareholders on the register on 27 January 2012. The ex dividend date is 25 January 2012.

On 31 August 2011 the Group issued 124,950 new shares in its South Korean subsidiary Titon Korea Co. Ltd. These shares, representing 49% of the enhanced equity of Titon Korea Co. Ltd, were issued to our joint venture partner, Browntech Co. Ltd. in exchange for intellectual property and goodwill as part of the original contract terms which were signed with them in 2008.

TRADING COMMENTARY

This has been a disappointing year following the modest post recession recovery achieved in 2009/2010. Trading conditions have worsened markedly throughout the majority of the period as economic conditions have again deteriorated sharply - resulting in lower gross margins being achieved.

The financial year actually began strongly, building on the momentum established towards the latter part of the previous year. As we entered the winter period we were cautiously confident that our key UK and European markets would continue to grow and that the worst of the recession was behind us. However, the very harsh winter weather followed by the sovereign debt crisis in many European countries changed this situation dramatically.

## **Chairman's Statement (continued)**

Activity levels and confidence levels within UK and European markets have deteriorated progressively since January 2011 and are the overriding factors in the disappointing financial outcome for the year.

Revenues in the UK have fallen by 2.5% to £12.25 million (2010: £12.56 million) and now represent 76.6% of group turnover (2010: 80.5%). This has been an extremely difficult period for our window and door manufacturing customers with demand falling sharply in the local authority refurbishment and the private sector replacement markets. As a result of this, we have witnessed considerable declines in our sales of window and door hardware to these customers. By contrast and as anticipated, sales of whole house ventilation systems and associated products have grown further as the percentage of houses that incorporate these types of energy efficient systems have increased.

The UK heat recovery ventilation market has, however, become increasingly competitive as the new house building market has slowed and a wider range of product offering has been introduced. When we launched our market leading HRV Q Plus range in 2008 we applied for a range of patents, several of which have been granted during the current financial year. In the belief that these granted patents, along with unregistered design rights, have been infringed we have recently commenced litigation in the High Court against a UK competitor, Nuair Limited. In order to retain our position amongst the leading energy efficiency suppliers, we have launched further models within our range during the year and have made enhancements to existing models. We have again increased our Research and Development team and remain committed to developing a leading position within the UK and other European mechanical ventilation markets.

Revenues outside of the UK have increased by 23.0% to £3.75 million (2010: £3.05 million). This improvement was due entirely to growth from our South Korean operation where we have established a market leading position and where revenues have grown by 50.7% to £2.28 million (2010: £1.51 million). Other export markets - particularly within northern Europe - have exhibited a similar pattern to the UK, with any optimism at the start of the financial year turning to pessimism by the end of the financial year. As reported at the half year, we have secured initial contracts to sell our heat recovery ventilation products abroad and expect to capitalise and build on this during 2012.

## **Chairman's Statement (continued)**

### **EMPLOYEES**

Employee numbers within the Group have fallen from 190 at the beginning of the year to 181 at 30 September 2011. The reduction is largely as a result of fewer production operatives at our UK factory in response to reduced levels of throughput. Unfortunately, we have had to make a total of 9 people redundant during the year at a cost of £62,000. Downsizing is always a very traumatic process for those involved and we express our gratitude and best wishes to the former employees and their families.

It has been another difficult year for all of our employees and we thank them sincerely for the supportive attitude that they are demonstrating as we strive to improve competitiveness and customer focus.

### **PROSPECTS**

The reversal in our profits is symptomatic of the reversal in worldwide economic activity and in particular the contraction in UK construction activity over the year.

The first two months of the new financial year have given us little encouragement that this situation will change in the short term. The problems associated with high European sovereign debt levels are still to be resolved and the ensuing spending cutbacks and confidence reductions are still impacting on our sales and profits. Against this backdrop, we are maintaining a relatively high level of overhead spending in the areas of Sales and Marketing and Research and Development. Whilst this strategy has the effect of reducing short term profitability, we believe that it is in the longer term interests of shareholders. Other areas of overheads will be continuously reviewed for further efficiency savings.

Despite the adverse market conditions, we do expect that sales into the UK energy efficient mechanical ventilation market will improve further during 2011/2012. We will be launching additional new products during the coming year and anticipate that these will enable us to maintain momentum in this market.

Whilst the majority of our Export markets have been sluggish, our investment into the South Korean market continues to show good promise and we anticipate that further growth will be delivered in 2011/2012. At a time when the UK market remains so depressed, we will continue to commit resources to this and to other overseas opportunities.

On behalf of the Board

**J N Anderson    8 December 2011**  
Chairman

**Titon Holdings Plc**  
**Preliminary Announcement for the year ended 30 September 2011**

**Unaudited Consolidated Income Statement**  
**for the year ended 30 September 2011**

	Unaudited 2011	2010
	£'000	£'000
<b>Revenue</b>	<b>15,995</b>	15,609
Cost of sales	<b>(12,376)</b>	(11,438)
<b>Gross profit</b>	<b>3,619</b>	4,171
Distribution costs	<b>(622)</b>	(670)
Administrative expenses	<b>(2,992)</b>	(2,833)
<b>Operating profit</b>	<b>5</b>	668
Finance income	<b>36</b>	29
Share of losses from associate	<b>(7)</b>	(91)
<b>Profit before tax</b>	<b>34</b>	606
Income tax credit / (expense)	<b>155</b>	(199)
<b>Profit after income tax</b>	<b>189</b>	407
<b>Attributable to:</b>		
Equity holders of the parent	<b>171</b>	407
Non-controlling interest	<b>18</b>	-
<b>Profit for the year</b>	<b>189</b>	407
Earnings per share - basic	<b>1.62p</b>	3.85p
- diluted	<b>1.62p</b>	3.85p

**Unaudited Consolidated Statement of Comprehensive Income**  
**for the year ended 30 September 2011**

	Unaudited 2011	2010
	£'000	£'000
<b>Profit for the period</b>	<b>189</b>	407
Exchange difference on retranslation of overseas operations	<b>(11)</b>	11
Total comprehensive income for the year attributable to:		
Equity holders of the parent	<b>160</b>	418
Non-controlling interest	<b>18</b>	-
	<b>178</b>	418

**Titon Holdings Plc**  
**Preliminary Announcement for the year ended 30 September 2011**

**Unaudited Consolidated Statement of Financial Position**  
**at 30 September 2011**

	<b>Unaudited</b>	
	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Assets</b>		
Property, plant and equipment	3,682	3,744
Intangible assets	586	214
Investments in associates	87	94
Financial assets	-	106
<b>Total non-current assets</b>	<b>4,355</b>	4,158
Inventories	2,593	2,523
Trade and other receivables	3,283	3,310
Corporation tax	71	-
Cash at bank	2,864	3,110
<b>Total current assets</b>	<b>8,811</b>	8,943
<b>Total Assets</b>	<b>13,166</b>	13,101
<b>Liabilities</b>		
Deferred tax	392	449
<b>Total non-current liabilities</b>	<b>392</b>	449
Trade and other payables	2,623	2,522
Bank overdraft	17	-
Corporation tax	6	117
<b>Total current liabilities</b>	<b>2,646</b>	2,639
<b>Total Liabilities</b>	<b>3,038</b>	3,088
<b>Equity</b>		
Share capital	1,056	1,056
Share premium reserve	865	865
Capital redemption reserve	56	56
Translation reserve	(13)	(2)
Retained earnings	8,017	8,038
<b>Total Equity attributable to equity holders of the parent</b>	<b>9,981</b>	10,013
<b>Non-controlling Interest</b>	<b>147</b>	-
<b>Total Liabilities and Equity</b>	<b>13,166</b>	13,101

**Unaudited Consolidated Statement of Changes in Equity**  
**at 30 September 2011**

	Share Capital	Share premium reserve	Capital redemption reserve	Trans- lation reserve	Retained earnings	Total	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 October 2009</b>	1,056	865	56	(13)	7,842	9,806	-	9,806
Translation differences on overseas operations	-	-	-	11	-	11	-	11
Profit for the year	-	-	-	-	407	407	-	407
<b>Total Comprehensive Income for the year</b>	-	-	-	11	407	418	-	418
Dividends paid	-	-	-	-	(211)	(211)	-	(211)
<b>At 30 September 2010</b>	<b>1,056</b>	<b>865</b>	<b>56</b>	<b>(2)</b>	<b>8,038</b>	<b>10,013</b>	-	<b>10,013</b>
Translation differences on overseas operations	-	-	-	(11)	-	(11)	-	(11)
Profit for the year	-	-	-	-	171	171	18	189
<b>Total Comprehensive income for the year</b>	-	-	-	(11)	171	160	18	178
Dividends paid	-	-	-	-	(237)	(237)	-	(237)
Share-based payment expense	-	-	-	-	3	3	-	3
Dilution of ownership of subsidiary	-	-	-	-	42	42	129	171
<b>At 30 September 2011</b>	<b>1,056</b>	<b>865</b>	<b>56</b>	<b>(13)</b>	<b>8,017</b>	<b>9,981</b>	<b>147</b>	<b>10,128</b>

**Unaudited Consolidated Statement of Cash Flows**  
**for the year ended 30 September 2011**

	<b>Unaudited</b>	
	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Cash generated from operating activities</b>		
Profit before tax	<b>34</b>	606
Depreciation of property, plant & equipment	<b>530</b>	560
Amortisation on intangible assets	<b>105</b>	38
Increase in inventories	<b>(79)</b>	(461)
Decrease / (increase) in receivables	<b>127</b>	(360)
Increase in payables and other current liabilities	<b>99</b>	256
Profit on sale of plant & equipment	<b>(31)</b>	(12)
Share based payment - equity settled	<b>3</b>	-
Interest received	<b>(36)</b>	(29)
Share of associate's loss	<b>7</b>	91
<b>Cash generated from operations</b>	<b>759</b>	689
<b>Income taxes (paid) / refunded</b>	<b>(119)</b>	14
<b>Net cash generated from operating activities</b>	<b>640</b>	703
<b>Cash flows from investing activities</b>		
Purchase of plant & equipment	<b>(470)</b>	(332)
Purchase of intangible assets	<b>(265)</b>	(164)
Proceeds from sale of plant & equipment	<b>33</b>	12
Interest received	<b>36</b>	29
<b>Net cash used in investing activities</b>	<b>(666)</b>	(455)
<b>Cash flows from financing activities</b>		
Dividends paid to equity shareholders	<b>(237)</b>	(211)
<b>Net cash used in financing activities</b>	<b>(237)</b>	(211)
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>	<b>(263)</b>	37
Cash & cash equivalents at beginning of the year	<b>3,110</b>	3,073
<b>Cash &amp; cash equivalents at end of the year</b>	<b>2,847</b>	3,110

**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

1 Earnings per ordinary share

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Numerator</b>		
Profit for the purposes of basic earnings per share being profit after tax attributable to members of Titon Holdings Plc	<b>171</b>	407
<hr/>		
<b>Denominator</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share - at the beginning and end of the year	<b>Number</b> <b>10,555,650</b>	Number 10,555,650
<hr/>		
<b>Earnings per share (pence)</b>		
Basic	<b>1.62p</b>	3.85p
Diluted	<b>1.62p</b>	3.85p

2 Dividends

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Final 2010 dividend of 1.25 pence (2009: 1.0 pence) per ordinary share paid and proposed during the year relating to the previous year's results	<b>132</b>	106
Interim dividend of 1.0 pence (2010: 1.0 pence) per ordinary share paid during the year	<b>105</b>	105
	<hr/> <b>237</b>	211

The Directors are proposing a final dividend of 1.00 pence (2010: 1.25 pence) per share. This will result in a final dividend totalling £105,000 (2010: £132,000), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.



**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

3 Notes supporting the Statement of Cash Flows

The table below provides an analysis of net cash and cash equivalents during the year ended 30 September 2011:

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Cash available on demand	<b>273</b>	130
Short-term deposits	<b>2,591</b>	2,980
Cash at bank	<b>2,864</b>	3,110
Overdraft	<b>(17)</b>	-
	<b>2,847</b>	3,110
Net (decrease) / increase in cash equivalents	<b>(263)</b>	37
Cash and cash equivalents at beginning of year	<b>3,110</b>	3,073
Cash and cash equivalents at end of year	<b>2,847</b>	3,110

4 Revenue and segmental information

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

<b>Segment</b>	<b>Activities undertaken include:</b>
United Kingdom	Sales of passive and powered ventilation products to house builders, electrical contractors and window manufacturers. In addition to this, it is a leading supplier of window hardware to its window-manufacturing customers.
South Korea	Sales of passive ventilation products to construction companies
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 not allocated to the business activities for which R&D is specifically performed and it is not therefore reported as a separate operating segment. Research and development expenses are included within the total un-allocated expenses figures set out below.

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.

**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

4 Revenue and segmental information (continued)

**Business segment**

For the year ended 30 September 2011	United Kingdom	South Korea	All other countries	Consolidated
	£'000	£'000	£'000	£'000
Segment revenue	12,245	2,282	1,468	15,995
Inter-segment revenue	-	-	160	160
<b>Total Revenue</b>	<b>12,245</b>	<b>2,282</b>	<b>1,628</b>	<b>16,155</b>
Depreciation and amortisation	538	87	4	629
<b>Operating profit - segment result</b>	<b>2,121</b>	<b>36</b>	<b>91</b>	<b>2,248</b>
Unallocated expenses				(2,243)
Losses from associates				(7)
Finance income				36
<b>Profit before tax</b>				<b>34</b>
Tax credit				155
<b>Profit for the year</b>				<b>189</b>
<b>Total assets</b>	<b>11,330</b>	<b>1,706</b>	<b>130</b>	<b>13,166</b>
Total assets include:				
Investments in associates	87	-	-	87
Additions to non-current assets (other than financial instruments and deferred tax assets)	718	222	1	941

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 2011	United Kingdom	Europe	USA	South East Asia	All Other regions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenues</b>						
By entities' country of domicile	13,277	-	436	2,282	-	15,995
By country from which derived	12,245	980	436	2,330	4	15,995
<b>Non-current assets</b>						
By entities' country of domicile	4,182	-	5	277	-	4,464

**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

4 Revenue and segmental information (continued)

**Business segment**

For the year ended 30 September 2010	United Kingdom	South Korea	All other countries	Consolidated
	£'000	£'000	£'000	£'000
Segment revenue	12,560	1,514	1,535	15,609
Inter-segment revenue	-	-	197	197
<b>Total Revenue</b>	<b>12,560</b>	<b>1,514</b>	<b>1,732</b>	<b>15,806</b>
Depreciation and amortisation	553	40	5	598
<b>Operating profit - segment result</b>	<b>2,401</b>	<b>80</b>	<b>31</b>	<b>2,512</b>
Unallocated expenses				(1,844)
Losses from associates				(91)
Finance income				29
<b>Profit before tax</b>				<b>606</b>
Tax expense				(199)
<b>Profit for the year attributable to the equity holders of the parent</b>				<b>407</b>
<b>Total assets</b>	<b>11,765</b>	<b>1,135</b>	<b>201</b>	<b>13,101</b>
Total assets include:				
Investments in associates	94	-	-	94
Additions to non-current assets (other than financial instruments and deferred tax assets)	412	84	-	496

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 2010	United Kingdom	Europe	USA	South East Asia	All Other regions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenues</b>						
By entities' country of domicile	13,667	-	428	1,514	-	15,609
By country from which derived	12,560	1,056	428	1,557	8	15,609
<b>Non-current assets</b>						
By entities' country of domicile	4,008	-	8	142	-	4,158

**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

4 Revenue and segmental information (continued)

**Business segments**

The Group's operations are separated between Group manufactured products and bought in products.

The following table provides an analysis of the Group's external revenue by source of products, irrespective of the geographical region of sale.

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Group manufactured products	<b>10,774</b>	10,025
Bought in products	<b>5,221</b>	5,584
<b>Revenue</b>	<b>15,995</b>	15,609

5 Tax (credit) / expense

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Corporation tax (credit) / expense	<b>(65)</b>	117
Adjustment in respect of under / (over) provision in prior years	<b>2</b>	(6)
<b>Total corporation tax</b>	<b>(63)</b>	111
Deferred tax - origination and reversal of temporary differences	<b>(92)</b>	88
<b>Total tax (credit) / expense</b>	<b>(155)</b>	199

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Profit before tax	<b>34</b>	606
Effect of:		
Expected tax charge based on the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>9</b>	170
Additional deduction for R&D expenditure	<b>(70)</b>	(44)
Income not taxable	<b>-</b>	(6)
Expenses not deductible for tax purposes	<b>26</b>	12
Difference in deferred tax rates	<b>(33)</b>	106
Marginal relief	<b>-</b>	(5)
Other short term timing differences	<b>(80)</b>	-
Relieved tax losses	<b>(9)</b>	(22)
Adjustment in respect of IBAs	<b>-</b>	(6)
Adjustments in respect of prior periods	<b>2</b>	(6)
<b>Total tax (credit) / expense for the year</b>	<b>(155)</b>	199

**Titon Holdings Plc**  
**Notes to the Preliminary Announcement for the year ended 30 September 2011**

**6 Business Combinations**

On 31 August 2011 the Group completed the issue of 124,950 Titon Korea Co. Ltd new shares, representing 49% of the enlarged share capital in its South Korean subsidiary, to Browntech Co. Ltd in pursuance of a binding contract made in 2008 to establish a partnership between the two organisations as disclosed in the 2007/08 Annual Report. This dilution in ownership interest is reflected in equity in the Consolidated Statement of Changes in Equity for the year. In exchange for the new shares, Browntech Co. Ltd. transferred product patents and business rights to Titon Korea Co. Ltd following an external valuation of these assets. This valuation, which was issued in 2008, has been reduced by amortisation of the identifiable assets over the period between the initial agreement in 2008 to the date at which the intangible assets are recorded in the Group financial statements; being 1 October 2010.

The intangible assets, net of amortisation, initially recognised in the consolidated financial statements are as follows:

	£'000
Identifiable intangible assets (patents)	128
Goodwill	78
<b>Total intangible assets acquired</b>	<b>206</b>

The results of Titon Korea Co. Ltd. have been consolidated in the income statement taking into consideration the non-controlling interest held by Browntech Co. Ltd. The Directors do not consider there to be material difference between the effect of recording this transaction in the current year's financial statements and reflecting the effects in earlier periods. The transaction is therefore recorded in the current year.

**7 Basis of preparation**

The financial information for the year ended 30 September 2011 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 2010 Financial Statements which is available from the Group's website at [www.titonholdings.com](http://www.titonholdings.com).

Except for the implementation of the amendments to IFRS 5 and IAS 7 there have been no changes to the accounting policies during the year.

- Amendments to IFRS 5 - Non-current assets held for sale and discontinued operations
- Amendments to IAS 7 - Classification of expenditure on unrecognised assets

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 2011 or 2010.

The financial information for the year ended 30 September 2010 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 include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The statutory accounts for 2011, on which the auditors have not yet reported, will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 21 February 2012.

**Titon Holdings Plc**

Registered Office: International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL.  
Registered in England and Wales (registered no. 1604952).