

RNS Number:2846J
Titon Holdings PLC
06 December 2007

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2007

Chairman's Statement

Financial Performance

Profit before tax for the year to 30 September 2007 was 48.3% down at £0.46 million (2006: £0.89 million), on Revenue 4.2% higher at £17.29 million (2006: £16.60 million). Due to a lower tax charge, earnings per share were only 34% lower at 4.2p (2006: 6.4p). Year end cash reserves have reduced to £1.67 million (2006: £2.07 million).

The Directors have spent a considerable time this year on determining the amount of the final dividend to be proposed to shareholders. We are aware of the significance of the dividend to shareholders, as we have previously acknowledged. However, the financial results for the year do not permit us to maintain the final dividend at the same level as last year and unfortunately, it is necessary for us to reduce it to an amount more closely aligned with this year's earnings per share. We are also concerned about conserving the cash reserves of the Group to ensure that we are positioned to take advantage of new opportunities as they arise.

As a major shareholder in the Company, I have benefited from the dividends paid to shareholders in recent years. Given this, and the need to reduce the final dividend this year, I have decided that, on this occasion, I will waive my entitlement to the final dividend on my personally owned 2,012,802 shares. This means that the final dividend proposed can be increased to 2.3p per share (2006: 4.8p) for all other shareholders rather than 1.9p per share if I received the final dividend on my shareholding. This final dividend of 2.3p per share, when added to the interim dividend paid in May 2007, makes a total for the year of 4.6p (2006: 7.1p). The dividend will be payable on 22 February 2008 to shareholders on the register on 1 February 2008. The ex dividend date is 30 January 2008.

Chairman's Statement (continued)

Trading Commentary

This has been a disappointing trading year for Titon. Although the first half-year was in line with market expectations, the second period showed very low levels of profit, whilst sales growth was curtailed by subdued markets, both at home and abroad. In August, the Company issued a trading update to make shareholders aware of the disappointing second half performance and I am now able to report that the final outcome for the year of Profit before tax of £0.46m was in line with the forecast made at the time.

As reported at the time of the trading update, our margins during the year have been adversely impacted by a number of factors. These include increases in raw material prices, the knock on effects of the Building Regulation changes, the initial costs of moving our zinc die casting production to Eastern Europe, and the problems in the US housing market combined with the weakness of the US Dollar.

The increases in raw material prices were significant in many instances, and have been compounded by cost increases in other areas such as power and carriage. I am pleased to report that, in response to this, as the financial year ended, we were able to implement a price increase on our own manufactured products, which will be fully effective during 2008. Furthermore, the Group continues to seek reductions in prices from our suppliers to assist in improving gross margins. The improved effects of both of these initiatives, together with the savings forecast for outsourcing our die-casting operations, are encouraging.

The changes to the Building Regulations that occurred in the previous year have also had a major impact on profitability during 2006/7. In order to assist with compliance with the new Regulations, we have introduced several new ranges of background ventilators. These new ranges have higher ventilation flows and will replace many of the existing ranges. During the year we have introduced these new ranges running them concurrently with existing products in order to provide a smooth changeover for our customers. The duplication of products has led to inefficiencies within our production processes, which are now being eliminated as the older products are withdrawn.

Our Export Sales have also been under pressure during the year, with the weakness of the US Dollar and the housing market in the USA having a detrimental effect on our trading. We have also experienced subdued trading in our European market towards the latter part of the reporting year. Total Export Sales ended the year at £2,010,000 (2006 : £2,173,000). In response to the continued dollar weakness, we have implemented a substantial price increase on our US business from January 2008.

The Board is committed to establishing Titon as a leading supplier of ventilation systems and I am pleased to report continued growth in this respect. The market for powered ventilation systems in the UK is expanding as increased air tightness standards for dwellings make these systems more popular. The 'Code for Sustainable Homes' will drive the market towards energy efficient solutions, creating further opportunities for suppliers such as Titon to offer professionally specified and expertly installed systems. We are continually looking for new opportunities in this market.

Chairman's Statement (continued)

Employees

Our average number of employees over the year increased slightly to 260 (2006 : 255). This increase was largely due to taking on temporary factory staff to build up stocks prior to moving our die casting facilities and to dealing with the product range changes explained above. Employee numbers have, however, been reduced over recent months and currently stand at 246.

Due to the reduced level of profit we have postponed this year's October staff pay award until April 2008, when it will be considered again. On behalf of the Board I would like to thank all of our team for their patience and understanding as we address the profitability issue.

Prospects

The increases in selling prices and the reduction in costs are being aggressively driven and closely monitored by the Board. Further cost reductions will occur during the year as current contractual commitments end.

The UK window market, into which we predominantly sell, remains subdued although we do expect our export sales to return to growth next year. Although the UK new build market is entering a period of uncertainty, we are confident that any decline in sales of our traditional window ventilation products will be offset by improved sales of powered ventilation systems.

John Anderson
Chairman

6 December 2007

Titon Holdings Plc
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Unaudited Consolidated Income Statement
for the year ended 30 September 2007

	2007 £'000	2006 £'000
Revenue	17,285	16,600
Cost of sales	13,482	12,439

Gross profit	3,803	4,161
Distribution costs	618	690
Administrative expenses	2,828	2,689

	3,446	3,379

Operating profit	357	782
Finance income	102	112

Profit before tax	459	894
Tax expense	15	219

Profit for the year attributable to the equity holders of the parent	444	675

Earnings per share - basic - basic	4.21p	6.40p
- diluted	4.21p	6.40p

Unaudited Consolidated Statement of Recognised Income and Expense
for the year ended 30 September 2007

	2007 £'000	2006 £'000
Profit for the year attributable to the equity holders of the parent	444	675
Exchange difference on retranslation of net assets of subsidiary undertakings	16	20

Total recognised income and expense for the year attributable to equity holders of the parent	460	695

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2007

Unaudited Consolidated Balance Sheet
at 30 September 2007

	2007 £'000	2006 £'000
Assets		
Property, plant and equipment	4,662	5,009
Intangible assets	58	67
Total non-current assets	4,720	5,076
Inventories	2,983	2,950
Trade and other receivables	3,785	3,624
Corporation tax	31	-
Cash at bank	1,678	2,078
Total current assets	8,477	8,652
Total Assets	13,197	13,728
Liabilities		
Deferred tax	170	170
Total non-current liabilities	170	170
Trade and other payables	2,190	2,362
Bank overdraft	13	9
Corporation tax	-	75
Total current liabilities	2,203	2,446
Total Liabilities	2,373	2,616
Equity		
Share capital	1,056	1,056
Share premium reserve	865	865
Capital redemption reserve	56	56
Translation reserve	33	17
Share schemes reserve	3	2
Retained earnings	8,811	9,116
Total Equity attributable to equity holders of the parent	10,824	11,112
Total Liabilities and Equity	13,197	13,728

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2007

Unaudited Consolidated Cash Flow Statement
for the year ended 30 September 2007

	2007 £'000	2006 £'000
Cash generated from operating activities		
Operating profit	357	782
Depreciation of property, plant & equipment	675	682
Amortisation on intangible assets	35	25
Increase in inventories	(33)	(424)
(Increase) / decrease in receivables	(149)	76
Decrease in payables and other current liabilities	(168)	(66)
Profit on sale of plant & equipment	(31)	(22)
Share based payment - equity settled	1	1

Cash generated from operations	687	1,054

Income taxes paid	(121)	(221)

Net cash generated from operating activities	566	833

Cash flows from investing activities		
Purchase of property, plant & equipment	(363)	(1,485)
Purchase of intangible assets	(26)	(86)
Proceeds from sale of plant & equipment	66	58
Interest received	102	112

Net cash used in investing activities	(221)	(1,401)

Cash flows from financing activities		
Dividends paid to equity shareholders	(749)	(749)
Proceeds from issue of share capital	-	27

Net cash used in financing activities	(749)	(722)

Net decrease in cash & cash equivalents	(404)	(1,290)
Cash & cash equivalents at beginning of the year	2,069	3,359

Cash & cash equivalents at end of the year	1,665	2,069

Titon Holdings Plc

Notes to the Preliminary Announcement for the year ended 30 September 2007

1 Earnings per ordinary share

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

	2007 £'000	2006 £'000
Earnings		
Earnings for the purposes of basic earnings per share being profit after taxation attributable to members of Titon Holdings Plc	444	675

Shares		
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	10,555,650	10,547,501
Effect of dilutive potential ordinary shares: share options	-	1,706

Weighted average number of ordinary shares for the purposes of diluted earnings per share	10,555,650	10,549,207

Earnings per share (pence)		
Basic	4.21p	6.40p
Diluted	4.21p	6.40p

2 Dividends

	2007 £'000	2006 £'000
Final dividend of 4.8 pence (2006 : 4.8 pence) per ordinary share paid and proposed during the year relating to the previous year's results	506	506
Interim dividend of 2.3 pence (2006: 2.3 pence) per ordinary share paid during the year	243	243

	749	749

The Directors are proposing a final dividend of 2.3 pence (2006: 4.8 pence) per share. After the waiver of dividend on 2,012,802 shares this results in a final dividend totalling £196,000 (2006: £507,000), subject to approval by the shareholders at the Annual General Meeting. This dividend has not been accrued at the balance sheet date.

3 Analysis of cash and cash equivalents

The table below provides an analysis of net cash and cash equivalents during the year ended 30 September 2007:

	2007	2006
	£'000	£'000
Cash available on demand	378	58
Short-term deposits	1,300	2,020
	-----	-----
Cash at bank	1,678	2,078
Overdraft	(13)	(9)
	-----	-----
	1,665	2,069
	-----	-----
Net cash decrease in cash and cash equivalents	(404)	(1,290)
	-----	-----
Cash and cash equivalents at beginning of year	2,069	3,359
	-----	-----
Cash and cash equivalents at end of year	1,665	2,069
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4 Basis of Preparation

The accounting policies of the Group under International Financial Reporting Standards (IFRSs) are set out in detail in the 2006 Financial Statement which is available from the Group's website at www.titonholdings.com.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 September 2007 or 2006. The financial information for the year ended 30 September 2006 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 and did not contain statements under the Companies Act 1985, s 237(2) or (3). The statutory accounts for 2007, 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.

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Registered in England and Wales (registered no. 1604952).