

Company Titon Holdings Plc
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Headline Preliminary Announcement 2008
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Titon Holdings PLC
11 December 2008

Titon Holdings Plc Preliminary Announcement for the year ended 30 September 2008

Business Review

Financial Performance

Net Loss before Tax for the year to 30 September 2008 was £0.06 million (2007: profit £0.46 million), on Revenue 5.3% lower at £16.38 million (2007: £17.29 million). A deferred tax charge of £195,000, primarily due to the phasing out of industrial buildings allowances, has contributed significantly to a reduction in Earnings per share to -2.5p (2007: 4.2p).

In this extremely difficult year the Directors have paid great attention to preserving our cash reserves, which we have managed to successfully achieve whilst realigning our cost base to accommodate the recession. Net cash balances at the year-end were £2.5 million compared to £1.7 million at the start of the year. This prudent approach is designed to ensure that the Group will be well positioned to take advantage of new opportunities that should arise when our markets recover from their present sorry state.

The Directors have also considered the need for tight cash control when proposing the level of final dividend that should be paid to Shareholders. Consequently, we are proposing a final dividend of 1.0p per share at the forthcoming AGM (2007: 2.3p). This, when added to the interim dividend paid in May 2008, makes a total for the year of 2.0 p (2007: 4.6p). If approved by shareholders, the dividend will be payable on 20 February 2009 to shareholders on the register on 23 January 2009. The ex dividend date is 21 January 2009.

Trading Commentary

Naturally, as our financial results suggest, it has been a disappointing trading year for Titon, and not at all in line with original expectations. The quality and profitability of orders from our customers began to weaken early in the first half putting pressure on all aspects of our business. By the half year our revenues were approximately 2% lower than the corresponding period of the previous year and it was evident that our particular markets were already moving towards recession. As the year progressed, many of our plans for the future were put on hold to enable us to address the falling market and the stresses of accommodating the many problems associated with the downsizing of our operations. Our customers experienced greatly reduced order books, which in turn has led to difficulties in payment, redundancies for their staff - and in some cases, administration. During the second half, the UK housing market has deteriorated further and more rapidly, resulting in many builders and developers literally 'shutting up shop' and severely reducing their purchases from component suppliers. What initially appeared to be solid growth in the building industry, benefiting customers, employees and shareholders alike, was eventually exposed as a dream built on massive debts. The financial institutions involved have a great deal to answer to many industries and individuals throughout the world.

Business Review (continued)

In July we announced our decision to invest £675,000 in a new 'Joint Venture' with our South Korean distributors, Browntech Sales Co. Ltd. This investment involved establishing a 'Titon' manufacturing base in that country as well as purchasing a 49% stake in Browntech Sales Co. Ltd. The worldwide credit crisis has also affected South Korea and construction activity there is in decline. We are, however, encouraged by the initial contracts that are being won and by the longer-term opportunities that exist.

Employees

At the start of the trading year, the number of Titon employees was 256. Although numbers had fluctuated to accommodate changing product ranges and temporary stock increases the level was, at that time, broadly compatible with overall market conditions and our plans for the future. As our markets deteriorated, and order levels reduced, it became clear that the situation was serious and our employee numbers were not sustainable. Most reluctantly, we initiated redundancies within the Group, losing a total of 44 from various departments through forced reductions. These redundancies along with natural wastage over the year have resulted in overall numbers falling by 70 to 186 at the end of the financial year - an overall 27% reduction, at a cost of £151,000. The starkness of this statement does not express my deep personal sadness for the circumstances that surround the decision on redundancies and the moral and social issues that arise. I can only give my sincere thanks to all those involved in this process, and my deep regrets to those who are no longer part of the Titon team.

Prospects

Situations continue to change almost daily, and it would be most unwise to forecast what may happen in the coming months. However, I can advise shareholders and our staff that Titon is currently financially strong and controlling its costs. We will continue to preserve cash and are optimistic about the forthcoming launch of a range of leading edge powered ventilation products. We are also proactively seeking out other opportunities in the ventilation market.

Global markets are currently suffering a major upheaval, unprecedented during Titon's existence. Our business is directly exposed to the housing market in the UK and it is the recovery of this market which is the key to our future. However, we will continue our fight for success, and we will continue to pursue all available business in the manner that is the trademark of the Group. Whilst there are a few encouraging signs in some markets, the next 12 months is certain to be a most challenging period.

Statement of Directors' responsibilities

The Directors confirm that this preliminary announcement of the consolidated financial statements has been prepared in accordance with LR 9.7A.1.

The Directors of Titon Holdings Plc are listed in the Titon Holdings Plc Annual Report and Accounts 2007. A list of current directors is maintained on the Group's website: www.titonholdings.com.

On behalf of the Board

J N Anderson
Chairman

D A Ruffell
Chief Executive

10 December 2008

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2008

Unaudited Consolidated Income Statement
for the year ended 30 September 2008

	Unaudited	
	2008	2007
	£'000	£'000
Revenue	16,375	17,285
Cost of sales	(12,803)	(13,482)
Gross profit	3,572	3,803
Distribution costs	(762)	(618)
Administrative expenses	(2,958)	(2,828)
Finance income	101	102
Share of losses from associates	(12)	-
(Loss) / profit before tax	(59)	459
Tax expense	(205)	(15)
(Loss) / profit for the year attributable to the equity holders of the parent	(264)	444
Earnings per share - basic	(2.50p)	4.21p
- diluted	(2.50p)	4.21p

Unaudited Consolidated Statement of Recognised Income and Expense
for the year ended 30 September 2008

	Unaudited	
	2008	2007
	£000	£000
(Loss) / profit for the year attributable to the equity holders of the parent	(264)	444
Exchange difference on retranslation of net assets of subsidiary undertakings	(32)	16
Total recognised income and expense for the year attributable to equity holders of the parent	(296)	460

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2008

Unaudited Consolidated Balance Sheet
at 30 September 2008

	Unaudited	
	2008	2007
	£'000	£'000
Assets		
Property, plant and equipment	4,395	4,662
Intangible assets	61	58
Investments in associates	213	-
Financial assets	100	-
Total non-current assets	4,769	4,720
Inventories	2,507	2,983
Trade and other receivables	3,224	3,785
Corporation tax	-	31
Cash and cash equivalents	2,546	1,678
Total current assets	8,277	8,477
Total Assets	13,046	13,197
Liabilities		
Deferred tax	366	170
Total non-current liabilities	366	170
Trade and other payables	2,427	2,190
Bank overdraft	18	13
Corporation tax	5	-
Total current liabilities	2,450	2,203
Total Liabilities	2,816	2,373
Equity		
Share capital	1,056	1,056
Share premium reserve	865	865
Capital redemption reserve	56	56
Translation reserve	1	33
Share schemes reserve	6	3
Retained earnings	8,246	8,811
Total Equity attributable to equity holders of the parent	10,230	10,824
Total Liabilities and Equity	13,046	13,197

Titon Holdings Plc
Preliminary Announcement for the year ended 30 September 2008

Unaudited Consolidated Cash Flow Statement
for the year ended 30 September 2008

	Unaudited	
	2008	2007
	£'000	£'000
Cash generated from operating activities		
(Loss) / profit before tax	(59)	459
Depreciation of property, plant & equipment	641	675
Amortisation on intangible assets	37	35
Decrease / (increase) in inventories	476	(33)
Decrease / (increase) in receivables	541	(149)
Increase / (decrease) in payables and other current liabilities	225	(168)
Profit on sale of plant & equipment	(11)	(31)
Share based payment – equity settled	3	1
Interest received	(101)	(102)
Share of associate loss	12	-
Cash generated from operations	1,764	687
Income taxes refunded / (paid)	27	(121)
Net cash generated from operating activities	1,791	566
Cash flows from investing activities		
Acquisition of shares in associate	(225)	-
Purchase of property, plant & equipment	(405)	(363)
Purchase of intangible assets	(40)	(26)
Proceeds from sale of plant & equipment	42	66
Interest received	101	102
Net cash used in investing activities	(527)	(221)
Cash flows from financing activities		
Dividends paid to equity shareholders	(301)	(749)
Issue of loan to associate	(100)	-
Net cash used in financing activities	(401)	(749)
Net increase / (decrease) in cash & cash equivalents	863	(404)
Cash & cash equivalents at beginning of the year	1,665	2,069
Cash & cash equivalents at end of the year	2,528	1,665

Titon Holdings Plc
Notes to the Preliminary Announcement for the year ended 30 September 2008

1 Earnings per ordinary share

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

	Unaudited	
	2008	2007
	£'000	£'000
Numerator		
Earnings for the purposes of basic earnings per share being (loss) / profit after taxation attributable to members of Titon Holdings Plc	(264)	444
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Denominator		
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share - at the beginning and end of the year	10,555,650	10,555,650
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Earnings per share (pence)		
Basic	(2.50p)	4.21p
Diluted	(2.50p)	4.21p
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2 Dividends

	Unaudited	
	2008	2007
	£'000	£'000
Final dividend of 2.3 pence (2007 : 4.8 pence) per ordinary share paid and proposed during the year relating to the previous year's results	196	506
Interim dividend of 1.0 pence (2007: 2.3 pence) per ordinary share paid during the year	106	243
Unclaimed dividend returned	(1)	-
	301	749
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The Directors are proposing a final dividend of 1.0 pence (2007: 2.3 pence) per share. This results in a final dividend totalling £106,000 (2007 : after the waiver of dividend on 2,012,802 shares this resulted in a final dividend totalling £196,000), 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 2008

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 2008:

	Unaudited	
	2008	2007
	£'000	£'000
Cash available on demand	1,046	378
Short-term deposits	1,500	1,300
Cash at bank	2,546	1,678
Overdraft	(18)	(13)
	2,528	1,665
Net cash increase / (decrease) in cash equivalents	863	(404)
Cash and cash equivalents at beginning of year	1,665	2,069
Cash and cash equivalents at end of year	2,528	1,665

4 Revenue and segmental information

For management and internal reporting purposes, the Group's operations are currently analysed according to geographical regions. This is the basis on which the Group reports its primary segment information.

The Group's business is comprised of the following reportable geographic segments:

United Kingdom
Rest of the World

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Titon Holdings Plc
Notes to the Preliminary Announcement for the year ended 30 September 2008

Revenue and segmental information (continued)

Segment information about the geographic regions is presented below.

Geographic segments

	United Kingdom		Rest of the World		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
External	14,538	15,275	1,837	2,010	16,375	17,285
Intercompany	-	-	300	297	300	297
Total Revenue	14,538	15,275	2,137	2,307	16,675	17,582
Segment result	2,080	2,173	74	138	2,154	2,311
Unallocated expenses					(2,302)	(1,954)
Operating (loss) / profit					(148)	357
Losses from associates					(12)	-
Finance income					101	102
(Loss) / profit before tax					(59)	459
Tax expense					(205)	(15)
(Loss) / profit for the year attributable to the equity holders of the parent					(264)	444

Balance Sheet	2008 £'000	2007 £'000
Assets - Segment total assets		
United Kingdom	12,604	12,980
Rest of World	442	217
Consolidated	13,046	13,197
Liabilities - Segment total liabilities		
United Kingdom	2,668	2,351
Rest of World	148	22
Consolidated	2,816	2,373

Titon Holdings Plc
Notes to the Preliminary Announcement for the year ended 30 September 2008

5 Tax Expense		
	2008	2007
	£'000	£'000
UK corporation tax	(26)	34
Adjustment in respect of over provision in prior years	5	(28)
	(21)	6
Total UK corporation tax	(21)	6
Total overseas tax	31	9
Total current tax	10	15
Deferred tax	195	-
Total tax	205	15

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

	2008	2007
	£'000	£'000
(Loss) / profit before tax	(59)	459
Effect of:		
Expected tax charge based on the standard rate of		
corporation tax in the UK of 20.5% (2007: 19%)	(12)	87
Differences between tax rates	-	(38)
Additional deduction for R&D expenditure	(33)	(14)
Expenses not deductible for tax purposes	31	9
Unrelieved tax losses and other deductions	19	-
Adjustment in respect of IBAs	221	-
Effect of difference in exchange rates	-	(1)
Adjustments in respect of prior periods	(21)	(28)
Total tax charge for the year	205	15

The effective tax rate for the year is 347% (2007: 3.3%)

The total tax charge for the year is affected by the adjustment for Industrial Buildings Allowances (IBAs) which, under IFRS, will be phased out over a period of four years.

Titon Holdings Plc
Notes to the Preliminary Announcement for the year ended 30 September 2008

6 Basis of Preparation

The accounting policies of the Group under International Financial Reporting Standards (IFRSs) are set out in detail in the 2007 Financial Statement which is available from the Group's website at www.titonholdings.com. There have been no changes to the accounting policies during the year.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 September 2008 or 2007. The financial information for the year ended 30 September 2007 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 2008, 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 17 February 2009.

Titon Holdings Plc

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