



DEWHURST plc
INTERIM REPORT
2020

Dewhurst plc - Interim Results for the 6 months ended 31 March 2020

Directors' Interim Report

FIRST HALF

Despite the ongoing difficult circumstances in world markets resulting from the COVID-19 pandemic, we are pleased to report a similar level of sales and profits for the first half of the current financial year compared to the same period last year. Overall, Group revenue on continuing operations increased by 1% to £28.2 million (2019: £27.8 million) and adjusted operating profit (before acquired intangible amortisation) decreased 2% to £3.4 million (2019: £3.5 million). Profit before tax decreased 3% to £2.5 million (2019: £2.6 million) but earnings per share improved slightly to 20.8p (2019: 20.4p).

There was good growth in sales in the Lift and Transportation Divisions offset by a significant reduction in keypad demand. A proportion of the fall in keypad demand was predicted as a result of the model changeover at a key customer, however the downturn was more severe than expected. The growth in Lift Division sales was split about 40% UK and 60% overseas, with A&A leading the growth in the UK and ERM and P&R overseas. In transportation, TMP had a strong first half, continuing the progress made in last year's second half. First half currency movements reduced Group revenue by around £0.4 million primarily as a result of the weakening of the Australian Dollar.

The Group balance sheet remains strong with cash at the period end of £15.1 million (2019: £6.2 million). Since 31 March 2019, the Group has received £7.5 million on the divestment of TVC but spent £1.0 million towards developing Dupar's new property.

OUTLOOK

The COVID-19 pandemic only had a minor impact on our results in the first half, but the Board expect there to be a significant impact on the second half. The UK has probably been our most seriously impacted market to date and the only country in which we were temporarily forced to close a factory. This is now operational again, but we have furloughed or laid-off staff in a number of locations and this will continue while demand is lower than normal. Unfortunately, it is difficult to predict the path of the recovery as it is affected by many factors outside our control. Australia has been our most resilient market to date and we expect Australian demand to bounce back reasonably quickly, although there will likely be longer term impacts. Elsewhere the recovery is likely to be more gradual. However, the Group has a strong financial base to absorb the level of short-term difficulty we are currently experiencing and will look to take advantage of any appropriate opportunities that arise.

DIVIDENDS

The Directors have declared an interim dividend of 3.75p per ordinary share (2019: 3.75p) which amounts to £315,000 (2019: £315,000). The interim dividend is payable on 18 August 2020 and will be posted on 13 August 2020 to shareholders appearing in the Register on 10 July 2020 (ex-dividend date being 9 July 2020).

The Directors have given due consideration to what might be an appropriate level of dividend in these exceptional circumstances. Given the current outlook and the relatively modest cash impact of our interim dividend compared to our cash balances we have decided to proceed with that dividend at the same level as last year. However, as outlined above, the main impact of the COVID-19 pandemic is expected to be felt in the second half and it may not be sustainable to maintain Dewhurst's dividend policy for the year ending 30 September 2020. The Board will make a decision on this at the normal time on the announcement of our full year results.

A final 2019 dividend of 9.25p (2018: 9.00p) which amounted to £778,000 (2018: £758,000) was approved at the AGM held on 18 February 2020 and was paid on 26 February 2020 to members on the register at 17 January 2020.

By Order of the Board

J C SINCLAIR

Finance Director & Secretary

3 June 2020

Dewhurst plc

The unaudited consolidated statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement of Dewhurst plc and its subsidiaries for the half-year ended 31 March 2020, as compared with the corresponding half-year ended 31 March 2019 and the year ended 30 September 2019, shows the following results:

Consolidated statement of comprehensive income

	Half year ended 31 March 2020 £000's	Half year ended 31 March 2019 £000's	Year ended 30 Sept 2019 £000's
Continuing operations			
Revenue	28,172	27,791	56,446
Operating costs	(25,597)	(25,141)	(51,052)
Adjusted operating profit	3,409	3,484	7,700
Pension charge – GMP equalisation	–	–	(639)
Amortisation of acquired intangibles	(834)	(834)	(1,667)
Operating profit	2,575	2,650	5,394
Finance income	34	13	34
Finance costs	(135)	(109)	(184)
Profit before taxation	2,474	2,554	5,244
Taxation	Est. (727)	Est. (841)	(2,149)
Profit for the financial period	1,747	1,713	3,095
Discontinued profits (net of tax)	–	391	7,079
Profit for the financial period	1,747	2,104	10,174
Other comprehensive income:			
Actuarial gains/(losses) on the defined benefit pension scheme	Est. (619)	Est. (2,831)	(4,559)
Deferred tax effect	118	481	775
Current tax effect	Est. 87	Est. 106	314
Total that will not be subsequently reclassified to income statement	(414)	(2,244)	(3,470)
Exchange differences on translation of foreign operations	(1,483)	(446)	308
Total that may be subsequently reclassified to income statement	(1,483)	(446)	308
Other comprehensive income/(expense) for the period, net of tax	(1,897)	(2,690)	(3,162)
Total comprehensive income for the period	(150)	(586)	7,012
Profit for the period attributable to:			
Equity shareholders of the company	1,565	1,931	9,780
Non-controlling interests	182	173	394
	1,747	2,104	10,174
Total comprehensive income for the period attributable to:			
Equity shareholders of the company	(214)	(732)	6,620
Non-controlling interests	64	146	392
	(150)	(586)	7,012
Basic and diluted earnings per share - continuing	20.78p	20.35p	32.09p
Dividends per share	3.75p	3.75p	13.00p

Consolidated statement of financial position

	Half year ended 31 March 2020 £000's	Half year ended 31 March 2019 £000's	Year ended 30 Sept 2019 £000's
Non-current assets			
Goodwill	9,332	8,505	9,719
Other intangibles	1,995	3,675	2,831
Property, plant and equipment	15,338	13,162	13,225
Deferred tax asset	2,700	2,101	2,198
	29,365	27,443	27,973
Current assets			
Inventories	5,602	6,640	6,010
Trade and other receivables	12,556	13,656	10,993
Cash and cash equivalents	15,097	6,249	16,980
	33,255	26,545	33,983
Total assets	62,620	53,988	61,956
Current liabilities			
Trade and other payables	8,117	7,890	8,180
Lease liabilities	353	–	–
Current tax liabilities	15	304	249
Short-term provisions	300	310	277
	8,785	8,504	8,706
Non-current liabilities			
Retirement benefit obligation	10,615	9,902	10,570
Lease liabilities	1,644	–	–
Total liabilities	21,044	18,406	19,276
Net assets	41,576	35,582	42,680
Equity			
Share capital	841	840	841
Share premium account	157	157	157
Capital redemption reserve	296	297	296
Translation reserve	909	1,545	2,274
Retained earnings	38,167	31,540	37,847
Total attributable to equity shareholders of the company	40,370	34,379	41,415
Non-controlling interests	1,206	1,203	1,265
Total equity	41,576	35,582	42,680

Consolidated statement of changes in equity

For the period ended 31 March 2020

	Share capital £(000)	Share premium account £(000)	Capital redemption reserve £(000)	Translation reserve £(000)	Retained earnings £(000)	Non controlling interest £(000)	Total equity £(000)
At 30 September 2019	841	157	296	2,274	37,847	1,265	42,680
IFRS 16 transition impact (see notes)	–	–	–	–	(53)	–	(53)
At 1 October 2019	841	157	296	2,274	37,794	1,265	42,627
Profit for the period	–	–	–	–	1,565	182	1,747
Other comprehensive income and expense							
Exchange differences on translation of foreign operations	–	–	–	(1,365)	–	(118)	(1,483)
Actuarial gains/(losses) on defined benefit pension scheme	–	–	–	–	(619)	–	(619)
Tax on items taken directly to equity (Est.)	–	–	–	–	87	–	87
Deferred tax effect	–	–	–	–	118	–	118
Total comprehensive income	–	–	–	(1,365)	1,151	64	(150)
Dividends paid	–	–	–	–	(778)	(123)	(901)
At 31 March 2020	841	157	296	909	38,167	1,206	41,576

These half-year abbreviated financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The results for the year ended 30 September 2019 set out above are abridged. Full accounts for that year reported under IFRS, on which the auditors of the Company made an unqualified report have been delivered to the Registrar of Companies.

The presentation of these Interim Financial Statements is consistent with the 2019 Financial Statements and its accounting policies except for the impact of changes in accounting policy relating to IFRS 16 'Leases' which is disclosed further in the notes below. Where necessary comparative information has been reclassified or expanded from the 2019 Interim Financial Statements to take into account any presentational changes made in the 2019 Financial Statements or in these Interim Financial Statements.

Dewhurst plc

Consolidated statement of changes in equity (cont'd)

For the period ended 31 March 2019

	Share capital £(000)	Share premium account £(000)	Capital redemption reserve £(000)	Translation reserve £(000)	Retained earnings £(000)	Non controlling interest £(000)	Total equity £(000)
At 30 September 2018	842	157	295	1,964	32,693	1,057	37,008
Profit for the period	–	–	–	–	1,931	173	2,104
<u>Other comprehensive income and expense</u>							
Exchange differences on translation of foreign operations	–	–	–	(419)	–	(27)	(446)
Actuarial gains/(losses) on defined benefit pension scheme	–	–	–	–	(2,831)	–	(2,831)
Tax on items taken directly to equity (Est.)	–	–	–	–	106	–	106
Deferred tax effect	–	–	–	–	481	–	481
Total comprehensive income	–	–	–	(419)	(313)	146	(586)
Shares repurchased	(2)	–	2	–	(82)	–	(82)
Dividends paid	–	–	–	–	(758)	–	(758)
At 31 March 2019	840	157	297	1,545	31,540	1,203	35,582

For the year ended 30 September 2019

	Share capital £(000)	Share premium account £(000)	Capital redemption reserve £(000)	Translation reserve £(000)	Retained earnings £(000)	Non controlling interest £(000)	Total equity £(000)
At 30 September 2018	842	157	295	1,964	32,693	1,057	37,008
Profit for the year	–	–	–	–	9,780	394	10,174
<u>Other comprehensive income and expense</u>							
Exchange differences on translation of foreign operations	–	–	–	310	–	(2)	308
Actuarial gains/(losses) on defined benefit pension scheme	–	–	–	–	(4,559)	–	(4,559)
Tax on items taken directly to equity	–	–	–	–	314	–	314
Deferred tax effect	–	–	–	–	775	–	775
Total comprehensive income	–	–	–	310	6,310	392	7,012
Share repurchase	(1)	–	1	–	(82)	–	(82)
Dividends paid	–	–	–	–	(1,074)	(184)	(1,258)
At 30 September 2019	841	157	296	2,274	37,847	1,265	42,680

Consolidated cash flow statement

	Half year ended 31 March 2020 £000's	Half year ended 31 March 2019 £000's	Year ended 30 Sept 2019 £000's
Cash flows from operating activities			
Operating profit – continuing operations	2,575	2,650	5,394
Operating profit – discontinued operations	–	521	1,077
Operating profit	2,575	3,171	6,471
Depreciation and amortisation	1,550	1,343	2,857
Additional contributions to pension scheme	(552)	(666)	(1,800)
Exchange adjustments	(91)	(162)	111
(Profit)/loss on disposal of property, plant and equipment	(16)	(14)	(13)
	3,466	3,672	7,626
(Increase)/decrease in inventories	408	(361)	(838)
(Increase)/decrease in trade and other receivables	(1,563)	264	888
Increase/(decrease) in trade and other payables	(63)	(295)	617
Increase/(decrease) in provisions	23	6	46
Cash generated from operations	2,271	3,286	8,339
Interest paid	(39)	–	(1)
Tax paid	(946)	(1,003)	(1,911)
Net cash from operating activities	1,286	2,283	6,427
Cash flows from investing activities			
Acquisition of business and assets	(624)	–	–
Proceeds on disposal of a subsidiary (net of cash disposed)	–	–	7,514
Proceeds from sale of property, plant and equipment	16	14	57
Purchase of property, plant and equipment	(1,158)	(4,571)	(5,233)
Development costs capitalised	–	–	(41)
Interest received	34	13	34
Net cash generated from/(used in) investing activities	(1,732)	(4,544)	2,331
Cash flows from financing activities			
Purchase of own shares	–	(82)	(82)
Repayment of lease liabilities	(227)	–	–
Dividends paid	(901)	(758)	(1,258)
Net cash used in financing activities	(1,128)	(840)	(1,340)
Net increase/(decrease) in cash and cash equivalents	(1,574)	(3,101)	7,418
Cash and cash equivalents at beginning of period	16,980	9,440	9,440
Exchange adjustments on cash and cash equivalents	(309)	(90)	122
Cash and cash equivalents at end of period	15,097	6,249	16,980

Notes - New Accounting standards and policies

With effect from 1 October 2019 the Group has adopted the following new accounting standard:

IFRS 16 'Leases'

The Group has adopted IFRS 16 from 1 October 2019 for the first time and applied the modified retrospective approach. IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right-of-use asset, representing its right to use the underlying asset, and lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases for lessees is removed. Comparatives for the prior period have not been restated and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 October 2019 as follows:

	1 Oct 2019 £000's
<hr/>	
Non-current assets	
Property, plant and equipment (right of use assets)	2,146
Total assets	2,146
<hr/>	
Current liabilities	
Lease liabilities	(448)
Non-current liabilities	
Lease liabilities	(1,751)
Total liabilities	(2,199)
Total movement in retained earnings as at 1 October 2019	(53)

On adoption of IFRS 16, the Group recognised liabilities for leases which had been classified as operating leases under previous accounting standards. The lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 3.5%.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Relied on previous assessments of whether leases are onerous
- Excluded initial direct costs for the measurement of right-of-use assets at the date of the initial application
- Applied the transition relief to long-term leases ending within 12 months of the date of initial application of the standard
- Applied the transition relief exempting short-term leases and low value leases.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

1 Oct 2019

£000's

Operating lease commitments as disclosed at 30 September 2019	1,747
Reconciling items	
- Effect of discounting (at incremental borrowing rate as at 1 October 2019)	(286)
- Long-term leases ending within 12 months recognised on a straight-line basis as expense	(27)
- Low-value leases recognised on a straight-line basis as expense	(113)
- Recognition difference on new leases and extension assumptions	878
Lease liability recognised as at 1 October 2019	2,199

Impact on the income statement

The impact on the income statement for the six months ended 31 March 2020 is to increase operating profit by approximately £37k and increase finance costs by £39k resulting in a decrease in profit before tax of £2k. The impact on the income statement for the year ended 30 September 2020 is expected to increase operating profit by approximately £74k and increase finance costs by £78k resulting in a decrease in profit before tax of £4k.

Impact on the cash flow statement

There has been a change to the classification of cash flows in the cash flow statement with operating lease payments previously categorised as net cash used in operations now being split between the principal element, included as repayment of lease liabilities within financing activities and the interest element, included as interest paid. In the six months to 31 March 2020 there are £266k of lease payments within financing activities comprising £227k of repayment of lease liabilities and £39k of interest paid.

Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Payments associated with long-term leases with less than 12 months from the date of application, short-term leases or low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mostly comprise of IT equipment and small items of office furniture.

Board of Directors

Richard Dewhurst, BA (Eng Sc), ACMA Chairman
David Dewhurst, BSc (Elec Eng)
Jared Sinclair, BSc, ACA
John Bailey
Peter Tett, MA MSc Non-executive
Alan Warren Non-executive

Registered and Head Office

**DEWHURST PLC &
DEWHURST UK MANUFACTURING LTD**
Unit 9 Hampton Business Park,
Hampton Road West, Feltham TW13 6DB.
Tel: 020 8744 8200
cosec@dewhurst.co.uk
www.dewhurst.co.uk

Subsidiaries:

A&A ELECTRICAL DISTRIBUTORS LTD
234-262 Maybank Road,
South Woodford,
London, E18 1ET
Tel: 020 8559 7000
sales@aa-electrical.com
www.aa-electrical.com

TRAFFIC MANAGEMENT PRODUCTS LTD

Unit 6, Trident Drive,
Wednesbury, WS10 7XB
Tel: 020 8744 8201
info@tmp.solutions
www.tmp.solutions

DEWHURST (HUNGARY) KFT

H-2038, Soskut, Hrsz 3518/8, Hungary
Tel: 00 362 356 0550

DUPAR CONTROLS INC

1751 Bishops Street, Cambridge, Ontario,
Canada N1T 1N5
Tel: 001 519 624 2510
info@dupar.com
www.dupar.com

ELEVATOR RESEARCH AND MANUFACTURING CORP.

1417 Elwood Street, Los Angeles,
CA 90021, USA
Tel: 001 213 746 1914
sales@elevatorresearch.com
www.elevatorresearch.com

Registrars

Link Market Services Ltd, Northern House, Woodsome Park, Fenay Bridge, Huddersfield,
West Yorkshire HD8 0LA

Overseas representation:

The Group maintains overseas representation in major countries throughout the world

AUSTRALIAN LIFT COMPONENTS PTY LTD

5 Saggartfield Road, Minto
NSW 2566, Australia
Tel: 00 612 9603 0200
info@alc.au.com
www.alc.au.com

P&R LIFTCARS PTY LTD

7 Kiama Street, Miranda
NSW 2228, Australia
Tel: 00 612 9522 4777
info@prlift.com.au

LIFT MATERIAL AUSTRALIA PTY LTD

Unit 8, 809-821 Botany Road,
Rosebery, NSW 2018, Australia
Tel: 00 612 9310 4288
info@liftmaterial.com
www.liftmaterial.com

DUAL ENGRAVING PTY LTD

104 Howe Street,
Osborne Park, Perth,
WA 6017, Australia
Tel: 00 61 8 9443 3677
info@dualengraving.com.au
www.dualengraving.com.au

DEWHURST (HONG KONG) LTD

Unit 19, 7/F, Block A,
Hoi Luen Industrial Centre,
55 Hoi Yuen Road, Hong Kong
Tel: 00 852 3523 1563
flai@dewhurst.co.uk
www.dewhurst.co.uk

DEWHURST MIDDLE EAST ELEVATOR ACCESSORIES L.L.C.

Office #5, Level 20,
Binary Tower, Business Bay,
PO Box 20589, Dubai, United Arab Emirates
Tel: 00 971 4871 6505
info@dewhurstme.ae
www.dewhurstme.ae