The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Dewhurst PLC
("Dewhurst" or the "Group")
Preliminary Results for the year ended 30 September 2020

Chairman's Statement

Results

I am pleased that the Group has been able to navigate the difficult market conditions of this year reporting sales only slightly lower than last year. Group sales for the year to 30 September 2020 decreased 1.5% to £55.6 million (2019: £56.4 million). Despite the small decline in sales, the Group has achieved profits ahead of revised management expectations. Adjusted operating profit before amortisation of acquired intangibles and exceptional pension costs increased to £8.6 million (2019: £7.7 million) and profit before tax was £6.7 million (2019: £5.2 million).

Although sales were broadly flat overall, there were falls and rises across the Group's divisions. The Lift division was down approximately 4% with the drop primarily in the UK and Canada. Keypad sales also dropped significantly, partly due to the Covid-19 pandemic and the reduced use of cash machines and partly from the expected drop due to the run down in stock of an outgoing product. Transport and Highways on the other hand achieved significant growth in the UK, with record sales and profits, boosted by sales of cycle lane products. Currency movements were responsible for a £0.8 million fall in reported sales, with the pound strengthening against the Australian and Canadian dollars.

The board recognises the importance of dividend payments to shareholders, but given the abnormal situation this year is proposing to maintain the same level of final dividend as last year.

Operations and People

This year's profit figures include some support from Governments in the various countries in which the Group has operations. During the third quarter of our financial year we experienced sharp contractions in sales in a number of our businesses due to the pandemic and had to furlough staff in several locations. However, we found that we made up much of the lost ground from these reductions more quickly than expected in most businesses. It has, of course, been an extremely turbulent year and a real challenge for our people. So I would particularly like to thank all our staff this year for their dedication and determination in continuing to do their best to serve our customers. Clearly we have put in protocols and working practices to try to keep our employees safe during this period and we will continue to operate in this manner until it is safe to return to more normal arrangements.

Lift Material Australia (LMA) has been a member of the Dewhurst Group for 15 years and for all that period has been led by Tony Pegg. Tony has retired this November. I would like to pay tribute to his achievements in growing the sales and the breadth of the company during his long tenure and to thank him for his loyalty and support over the years. We welcome Halen Brown who is taking over as LMA general manager and wish him every success in the role. Halen joins us from a management role in Otis' Melbourne branch.

Closer to home, we are delighted to welcome Peter Dewhurst to the business. Peter has taken on responsibility for commercial operations at Dewhurst UK.

Investment

The major investment of the year is the building of a new factory for Dupar Controls in Canada. Work started on the building in January and is well on the way to completion. However, the build and fit out has inevitably been affected by the pandemic and so is a little behind schedule. We are still hoping to be able to occupy the new premises in early 2021. In the meantime, we have secured an offer to purchase Dupar's current factory, subject to contract.

Outlook

In terms of demand for lift products, we have escaped relatively lightly from the pandemic this year, but our business tends to lag behind movements in the economy generally by 1-2 years. Many of the projects for which we have been providing components this year were initiated before there was any hint of a pandemic. Market feedback suggests there is a definite lull in the commissioning of new projects, so we do have some concerns that demand may soften during 2021. However, at present demand is steady in most of our lift markets. Some of the current UK demand may be companies stocking up ahead of Brexit at the end of the year, but we should get a clearer picture of that impact during the first quarter of 2021.

Keypads were much more seriously affected this year and the weak demand continues into the new year. We are not expecting to see an improvement in this division until economies begin to recover.

Highways and transport products may provide an opportunity for growth. The UK Government is committing more funds to providing safe cycle lanes, but at this stage it is not clear when these projects will be open for bidding, so timing for our sales opportunity is difficult to predict.

Richard Dewhurst
Chairman

Strategic Report

Business Review

The Group's principal activity in the year continued to be the manufacture of electrical components and control equipment for industrial and commercial capital goods. The Group maintained its position as a speciality supplier of equipment to lift, transport and keypad sectors. A business review of the Group's operations is dealt with below in operating highlights and in the Chairman's Statement.

Key performance indicators

The directors believe that the key financial performance indicators relevant to the Group are earnings per share, adjusted operating profit, profit before tax and return on equity. The key non-financial performance indicators relevant to the Group are quality measures and on-time deliveries to our customers.

Operating Highlights

The hundredth and first year in the Company's history has been exceptional! The first half was business as usual. The second half was anything but, with the Covid-19 pandemic impacting business significantly. As a Group, we were extremely fortunate compared to many other businesses. Only one of our subsidiaries, (Dewhurst UK) closed for just three weeks. All other businesses remained open throughout.

Since March we have worked hard to create a safe environment for all our stakeholders at our various locations around the world. That all our companies have effectively remained open throughout the pandemic is a great credit to our management team and staff. I join with our Chairman in thanking all our employees for their contributions in this very challenging year. The nature of many of our businesses is that staff are not able to work effectively from home, so in particular we thank our colleagues in the UK and overseas who continued to travel in to work when their respective countries were in lockdown.

The underlying reduction in demand for office space and for hotel accommodation is a concern. It has not affected the construction industry this year but it will likely have an impact in the future. That in turn will have a negative effect on demand for some of our products.

UNITED KINGDOM

Dewhurst UK Limited

This financial year has proved to be difficult for Dewhurst UK, with significantly reduced demand from our Middle East markets coupled with the impact of the pandemic. The business closed in late March for three weeks and demand in the following quarter was well below expectations. In July we took the decision to restructure the business, which involved a number of redundancies.

The increased concern about viruses around the world has created a need for us to seek solutions to improve safety for lift users. At Dewhurst UK we quickly developed a touchless solution for calling a lift at a landing and we are in the process of launching two new products that provide a solution to touchless floor designation in the lift car.

We received our first significant order for our Train Despatch Equipment Unit (TDEU) which is for Birmingham New Street station. We will be fulfilling this order over the next two years. We also received Network Rail approval for the two critical components of the TDEU, which will lead to further business in the future.

We are continuing to invest in plant and machinery with the commissioning of a new semi-automatic studding machine for our pressel plates. In the coming year there will be significant focus on reducing waste as we work to minimise our carbon footprint.

Traffic Management Products (TMP)

TMP continued to build on the sales success they had generated in the second half of last year. Throughout the first half of the year, we were successful in winning a number of significant orders for our Traffic Bollards both at home and overseas. The hard work of the team of TMP to create effective contacts within Local Authority traffic departments had paid off.

This work perhaps gained even more importance in the second half of the year. In May, the Government announced that it would create an emergency £250 million fund to create protected cycleways throughout Britain. TMP have a wide range of traffic separator products which are ideally positioned to meet the needs of the Government's desire to make it easier and safer for cyclists to get around. Helped by this government initiative demand for TMP's cycle products grew significantly in the second half of the year. This combined with a very solid first half performance led to record sales and profits at TMP.

A&A Electrical Distributors (A&A)

A&A completed its second full year within the Group and the integration of the business is essentially complete.

Sales and profits were down on last year but as with Dewhurst UK, the business was significantly impacted by the pandemic. Sales in April and May were around half of normal levels. In June sales started to recover. The business continued to operate throughout the whole of the UK lockdown period, providing a vital role for the industry in the supply of spares items for breakdowns and repairs. A&A rose to the challenge to develop products which helped make the lift environment a safer place. A new range of 'Site Essentials' was launched which included products such as anti-bacterial wipes, safe space floor stickers, surface sanitisers and face masks.

We continue to work to develop our e-Commerce solution and this project has moved on well. We are looking to launch our new site in the first quarter of 2021.

EUROPE

Dewhurst Hungary

We have experienced a challenging business environment throughout the year at Dewhurst Hungary, with significant variations in production volumes.

Demand for both ATMs and ATM spares was lower primarily due to the pandemic and this in turn meant that our sales and profits were down on the previous year.

NORTH AMERICA

Dupar Controls

The year started positively at Dupar with an improvement in the modernisation market, however as in the UK, Canada was impacted quite badly by the pandemic. Revenues were hit hard in April, May and June, which led to full year sales being down on last year. Good control of overheads however meant that we managed to achieve profits broadly in line with last year.

Early in 2020 we broke ground on our new facility at Boxwood Business Park in Cambridge, Ontario, just five miles from our existing plant. At 57,000 square feet, it is over twice the size of our current facility. We envisage that it will satisfy our manufacturing needs in Canada for the foreseeable future.

The building is now close to completion and we anticipate handover in early 2021, with manufacturing at the new site due to commence in March. It has been frustrating not to be able to visit the site during the construction process due to current travel restrictions. It has meant that additional responsibility for this project has been borne by George Foleanu. He has done an excellent job in managing the build and we look forward to visiting the new plant when restrictions are lifted.

Elevator Research & Manufacturing (ERM)

It has been a turbulent year in the USA and perhaps even more so in Los Angeles. However, throughout the year the team at ERM have worked diligently and efficiently, continuing to focus on improving service levels to their customers. This has led to another year of sales and profit growth.

AUSTRALIA & ASIA

Australian Lift Components (ALC)

After the excellent growth we achieved last year, sales this year were broadly flat. In the circumstances that was a very creditable achievement. Business was well spread across the Eastern States and with the borders between States shut for much of the year, we benefitted from our local sales presence.

Towards the end of the year the reliability of our current laser cutting machine was becoming a concern. We therefore took the decision to invest in a new Amada Fibre Laser machine, very similar to the machines that we have at Dupar Controls and Dewhurst UK. The ALC machine will also benefit from an automated loader/unloader, which will allow us to operate the machine unmanned after hours. This will boost our capacity and improve productivity.

P&R Lift Cars (P&R)

P&R have experienced another very busy year, with continued high demand for their bespoke lift interiors. They have built specialist lift interiors for a number of high end developments this year, such as Paramatta Square and the new Crown Casino in Sydney.

ALC and P&R continue to benefit from joint sales with virtually all P&R's interiors using lift fixtures supplied by ALC.

Lift Material

We were unable to recruit a suitable candidate as General Manager at Lift Material before the pandemic struck, so Tony Pegg kindly delayed his retirement. He has run the business throughout the course of this year.

The escalator handrail installation business has been curtailed by the pandemic and the subsequent closure of State borders. This has meant that we could only operate this element of the business in New South Wales. Sales and Profits at Lift Material were reduced primarily due to these restrictions. We continue to promote a range of A&A products through Lift Material and although take up started relatively slowly, we are beginning to see increased traction for these products.

Lift Material moved into their new premises at the start of the year. We now have a 20,000 square feet warehouse, which is sufficient for our needs for the foreseeable future. The warehouse is located in Matraville which is within easy reach of all the major lift companies in Sydney.

In the late summer we restarted our search for Tony Pegg's replacement. We are pleased to welcome Halen Brown as our new General Manager. He has a wealth of experience in the lift industry and we wish him every success in his new role.

Dual Engraving

Sales and profits grew at Dual Engraving as the market in Western Australia continued to be reasonably buoyant.

Dual Engraving have an involvement in many high profile local projects. One such project is Metronet. This is the West Australian Government's ongoing plan to invest in public transport in Perth. The project involves the construction of 18 new stations over the next few years. Dual Engraving have been working closely with the lift contractor to supply interiors, fixtures and other components for the bespoke lift cars required for the stations.

Dewhurst Hong Kong

Good progress has been made at Dewhurst Hong Kong over the last year. Although sales have fallen slightly, which is not surprising in the current economic environment, profits have remained more or less on a par with last year.

We continue to strengthen our relations with our customers in Hong Kong and South East Asia and are looking to introduce a number of new products to the market over the next twelve months.

David Dewhurst
Group Managing Director

Financial Review

Trading results

It is pleasing to report strong trading results despite an extremely difficult year due to the Covid-19 pandemic impacting operations from the start of 2020 onwards. With local shutdowns and travel restrictions the Group and its staff, to their testament, adjusted very quickly to the new 'Covid safe' working arrangements to continue to manufacture products and deliver to customers in what can only be described as challenging times. Keypad sales saw the biggest impact being 36% down on last year whereas we saw a relatively modest 4% reduction in Lift sales. However, with the UK Government looking to 'build back greener' TMP saw a 143% increase in Transport sales in the latter part of the year through cycle lane delineators.

Jobs and salaries were maintained as much as possible during shutdowns with some staff furloughed but supported by the Company and various Governments' schemes around the world. The total support from all Governments was £1.5 million of which £0.5 million was received in the UK.

Overall revenue decreased by 1.5% to £55.6 million (2019: £56.4 million) but adjusted operating profit increased by 12.1% to £8.6 million (2019: £7.7 million).

Although a significant proportion of the Group's revenue and profits are generated and held in foreign currency, foreign exchange retranslation had a negligible impact on the reporting performance of the Group this year with like-for-like revenue and profit before tax decreasing by 2% each.

Solid cash position

At the start of the pandemic any Group cash 'on notice' was drawn back into instant access accounts to be available to support our trading subsidiaries. Equally, the funding of the Dupar building construction was switched from an intended Group loan to a local line of credit with our Canadian Bank in Toronto to maximise available Group cash if support were needed. Despite our initial concerns, it is pleasing to look back now, and report Group support was not needed as our customers and their orders returned shortly after lockdowns were lifted for construction and manufacturing. We started the year with no borrowing or bank overdraft facility and finished the year with only a small bank borrowing of £69k in Canada.

During the year, the Group spent £3.4 million (C$5.8 million) on the Dupar building construction, £1.6 million on a share repurchase as well as £0.6 million as result of the first 12-month deferred consideration payment to the former owners of A&A Electrical Distributors Ltd (A&A). A second and final 12-month deferred consideration to the former owners of A&A is still to be made in 2021. The Group ended the year with cash of £18.1 million, up £1.1 million from £17.0 million in 2019.

Pension scheme deficit

The Company paid in a total of £1.4 million contributions into the pension scheme during the year and despite significant volatility in the equity markets the pension scheme assets outperformed expectations by £0.7 million. Nevertheless, the scheme deficit still increased by £0.7 million to £11.3 million in 2020 (2019: £10.6 million) as a result of the liability discount rate dropping and mortality assumptions improving which both negatively impacted the scheme deficit.

All recommendations made by the scheme's actuary to eliminate the scheme deficit within an agreed timeframe have been fully implemented.

Capital management and treasury policy

The Group defines capital as total equity plus net debt. The objective is to maintain a strong and efficient capital base to support the Group's strategic objectives, provide optimal returns for shareholders and safeguard the Group's assets and status as a going concern. The Group is not subject to externally imposed capital requirements and the Group's philosophy is to have minimal or no borrowing where possible.

The Group seeks to reduce or eliminate financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The policies and procedures operated are regularly reviewed and approved by the Board. By varying the duration of its fixed and floating cash deposits, the Group maximises the return on interest earned.

The Group continues to hedge foreign currencies internally where possible and does not use derivatives in the form of foreign exchange contracts to manage its currency risk.

Dividends

Dividends are accounted for when paid or approved by shareholders, and not when proposed, therefore the proposed final dividend for 2020 has not been accrued at the end of the reporting period. The total dividend for 2020 of 13.0p per share is the same as 2019 and is covered 4.4 times by earnings.

Following a share repurchase, there was a reduction in the number of allotted shares during the year.

Jared Sinclair
Finance Director

Consolidated statement of comprehensive income

For the year ended 30 September 2020

	2020 £(000)	2019 £(000)
Continuing operations		
Revenue	**55,617**	56,446
Operating costs	**(48,654)**	(51,052)
Adjusted operating profit*	**8,630**	7,700
Pension charge - GMP equalisation	**–**	(639)
Amortisation of acquired intangibles	**(1,667)**	(1,667)
Operating profit	**6,963**	5,394
Finance income	**58**	34
Finance costs	**(281)**	(184)
Profit before taxation	**6,740**	5,244
Taxation	**(2,061)**	(2,149)
Profit from continuing operations	**4,679**	3,095
Discontinued operations		
Profit and gain from discontinued operations (net of tax) ^	**–**	7,079
Profit for the period	**4,679**	10,174
Other comprehensive income:		
Actuarial gains/(losses) on the defined benefit pension scheme	**(1,886)**	(4,559)
Deferred tax effect	**358**	775
Tax on items taken directly to equity	**226**	314
Total that will not be subsequently reclassified to income statement	**(1,302)**	(3,470)
Exchange differences on translation of foreign operations	**(215)**	308
Total that may be subsequently reclassified to income statement	**(215)**	308
Other comprehensive income/(expense) for the year, net of tax	**(1,517)**	(3,162)
Total comprehensive income for the year	**3,162**	7,012
Profit for the year attributable to:		
Equity Shareholders of the Company	**4,312**	9,780
Non-controlling interests	**367**	394
	4,679	10,174
Total comprehensive income for the year attributable to:		
Equity Shareholders of the Company	**2,783**	6,620
Non-controlling interests	**379**	392
	3,162	7,012
Basic and diluted earnings per share	**51.78p**	116.23p
Basic and diluted earnings per share – continuing operations	**51.78p**	32.09p

* Operating profit before amortisation of acquired intangibles and pension GMP equalisation (see Financial review)

^ Thames Valley Controls Ltd was disposed of on 30/09/19 and the comparative profit and gain was fully reported in the 2019 annual report and accounts.

Consolidated statement of financial position

At 30 September 2020

	2020	2019
	£(000)	£(000)
Non-current assets		
Goodwill	**9,743**	9,719
Other intangibles	**1,139**	2,831
Property, plant and equipment	**16,947**	13,225
Right-of-use assets	**3,273**	–
Deferred tax asset	**2,621**	2,198
	33,723	27,973
Current assets		
Inventories	**6,208**	6,010
Trade and other receivables	**9,553**	10,993
Cash and cash equivalents	**18,139**	16,980
	33,900	33,983
Total assets	**67,623**	61,956
Current liabilities		
Trade and other payables	**9,433**	8,180
Borrowings	**69**	–
Current tax liabilities	**268**	249
Short-term provisions	**343**	277
Lease liabilities	**443**	–
	10,556	8,706
Non-current liabilities		
Retirement benefit obligation	**11,268**	10,570
Lease liabilities	**2,973**	–
Total liabilities	**24,797**	19,276
Net assets	**42,826**	42,680
Equity		
Share capital	**808**	841
Share premium account	**157**	157
Capital redemption reserve	**329**	296
Translation reserve	**2,047**	2,274
Retained earnings	**38,042**	37,847
Total attributable to equity Shareholders of the Company	**41,383**	41,415
Non-controlling interests	**1,443**	1,265
Total equity	**42,826**	42,680

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2020 and were signed on its behalf by:

Richard Dewhurst Chairman

Jared Sinclair Finance Director

Company Registration Number: 160314

Consolidated statement of changes in equity

For the year ended 30 September 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 2018	842	157	295	1,964	32,693	1,057	37,008
Share repurchase	(1)	–	1	–	(82)	–	(82)
Exchange differences on translation of foreign operations	–	–	–	310	–	(2)	308
Actuarial gains/(losses) on defined benefit pension scheme	–	–	–	–	(4,559)	–	(4,559)
Deferred tax effect	–	–	–	–	775	–	775
Tax on items taken directly to equity	–	–	–	–	314	–	314
Dividends paid	–	–	–	–	(1,074)	(184)	(1,258)
Profit for the year	–	–	–	–	9,780	394	10,174
At 30 September 2019	**841**	**157**	**296**	**2,274**	**37,847**	**1,265**	**42,680**
Impact from IFRS 16 'leases'	**–**	**–**	**–**	**–**	**(85)**	**(11)**	**(96)**
At 30 September 2019 (restated)	**841**	**157**	**296**	**2,274**	**37,762**	**1,254**	**42,584**
Share repurchase	**(33)**	**–**	**33**	**–**	**(1,637)**	**–**	**(1,637)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(227)**	**–**	**12**	**(215)**
Actuarial gains/(losses) on defined benefit pension scheme	**–**	**–**	**–**	**–**	**(1,886)**	**–**	**(1,886)**
Deferred tax effect	**–**	**–**	**–**	**–**	**358**	**–**	**358**
Tax on items taken directly to equity	**–**	**–**	**–**	**–**	**226**	**–**	**226**
Dividends paid	**–**	**–**	**–**	**–**	**(1,093)**	**(190)**	**(1,283)**
Profit for the year	**–**	**–**	**–**	**–**	**4,312**	**367**	**4,679**
At 30 September 2020	**808**	**157**	**329**	**2,047**	**38,042**	**1,443**	**42,826**

Consolidated cash flow statement

For the year ended 30 September 2020

	2020 £(000)	2019 £(000)
Cash flows from operating activities		
Operating profit – continuing operations	**6,963**	5,394
Operating profit – discontinued operations	**–**	1,077
Operating profit	**6,963**	6,471
Depreciation and amortisation	**2,663**	2,857
Right-of-use asset depreciation	**351**	–
Contributions to pension scheme, net of administration fee & GMP equalisation costs	**(1,366)**	(1,800)
Exchange adjustments	**(33)**	111
(Profit)/loss on disposal of property, plant and equipment	**64**	(13)
	8,642	7,626
(Increase)/decrease in inventories	**(198)**	(838)
(Increase)/decrease in trade and other receivables	**1,385**	888
Increase/(decrease) in trade and other payables	**1,243**	617
Increase/(decrease) in provisions	**66**	46
Cash generated from operations	**11,138**	8,339
Interest paid	**(2)**	(1)
Tax paid – continuing operations	**(1,871)**	(1,921)
Tax paid – discontinued operations	**–**	10
Tax paid	**(1,873)**	(1,912)
Net cash from operating activities	**9,265**	6,427
Cash flows from investing activities		
Acquisition of subsidiary undertaking	**(624)**	–
Proceeds on disposal of a subsidiary (net of cash disposed)	**55**	7,514
Proceeds from sale of property, plant and equipment	**35**	57
Purchase of property, plant and equipment	**(4,257)**	(5,233)
Development costs capitalised	**(12)**	(41)
Interest received	**58**	34
Net cash generated from/(used in) investing activities	**(4,745)**	2,331
Cash flows from financing activities		
Dividends paid	**(1,283)**	(1,258)
Purchase of own shares	**(1,637)**	(82)
Repayment of lease liabilities including interest	**(381)**	–
Proceeds from bank borrowings	**69**	–
Net cash used in financing activities	**(3,232)**	(1,340)
Net increase/(decrease) in cash and cash equivalents	**1,288**	7,418
Cash and cash equivalents at beginning of year	**16,980**	9,440
Exchange adjustments on cash and cash equivalents	**(129)**	122

Cash and cash equivalents at end of year	**18,139**	16,980

Notes

1. AGM, results and dividends

The profit for the year, after taxation, amounted to £4.7 million (2019: £10.2 million).

A final dividend on the Ordinary and 'A' non-voting ordinary shares of 9.25p per share (2019: 9.25p) for the financial year ended 30 September 2020 will be proposed at the Annual General Meeting (AGM) to be held on 16 February 2021. If approved, this dividend will be paid on 24 February 2021 to members on the register at 22 January 2021. The ex-dividend date will be 21 January 2021.

An interim dividend of 3.75p per share (2019: 3.0) was paid on 18 August 2020.

2. Earnings per share and dividend per share

Weighted average number of shares	**2020 No.**	2019 No.
For basic and diluted earnings per share	**8,328,365**	8,413,983

The calculation of basic and diluted earnings per share is based on the profit for the financial year of £4,312,233 and on 8,328,365 Ordinary 10p and 'A' non-voting ordinary 10p shares, being the weighted average number of shares in issue throughout the financial year. There are no share options issued.

Paid dividends per 10p Ordinary share	**2020 £(000)**	2019 £(000)
2019 final paid of 9.25p (2018: 9.00p)	**(778)**	(758)
2020 interim paid of 3.75p (2019: 3.75p)	**(315)**	(316)
Dividends paid – The Company	**(1,093)**	(1,074)
Dividends paid to non-controlling interests – Dual Engraving Pty Ltd & P&R Liftcars Pty Ltd	**(190)**	(184)
Dividends paid – The Group	**(1,283)**	(1,258)

The final proposed dividend is based on 3,309,200 Ordinary 10p shares and 4,772,198 'A' non-voting ordinary 10p shares, being the latest number of shares in issue. The Directors are proposing a final dividend of 9.25p (2019: 9.25p) per share, totalling £748k (2019: £778k). This dividend has not been accrued at the end of the reporting period.

3. Accounting policies

The accounting policies applied to the 2020 accounts have been consistent with 2019 in all manners apart from IFRS 16 'Leases' as stated below. With effect from 1 October 2019 the Group has adopted the new accounting standard IFRS 16 'Leases' 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 a 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 year have not been restated and the reclassifications and 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)
Non-current assets	
Right-of-use assets	2,764
Total assets	2,764
Current liabilities	
Lease liabilities	(274)
Non-current liabilities	
Lease liabilities	(2,586)
Total liabilities	(2,860)
Total movement in retained earnings as at 1 October 2019	(96)

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 between 3.5%-4.3%.

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)
Operating lease commitments as disclosed at 30 September 2019	1,747
Reconciling items	
- Low-value leases recognised on a straight-line basis as expense	(40)
- Long-term leases ending within 12 months recognised on a straight-line basis as expense	(389)
- Recognition difference on lease changes and extension assumptions	1,991
- Effect of discounting (at incremental borrowing rate as at 1 October 2019)	(449)
Lease Liability recognised as at 1 October 2019	2,860

Impact on the income statement

The impact on the income statement for the twelve months ended 30 September 2020 is to increase operating profit by £30k but increase finance costs by £101k resulting in a decrease in profit before tax of £71k.

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 reported within financing activities as repayment of lease liabilities including interest. In the twelve months to 30 September 2020 there are £381k of lease repayments comprising £280k of capital repayments of lease liabilities and £101k of interest paid.

4. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2020 or 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies. The statutory accounts for 2020 which are prepared under IFRS as adopted by the EU will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The preliminary statement of results has been reviewed by and agreed with the Company's auditor, Jeffreys Henry LLP, who have indicated that they will be giving an unqualified opinion in their report on the statutory financial statements for 2020.

Dewhurst plc has prepared its consolidated and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) from 1 October 2005. The Group and Company financial statements have been prepared in accordance with those parts of the Companies Act 2006 that are applicable to companies adopting IFRS. The company is registered and incorporated in the United Kingdom; and quoted on AIM.

It is expected that the audited Report and Accounts for the year ended 30 September 2020 will be sent to shareholders and will also be available on the Company's website www.dewhurst.plc.uk on 15 January 2021.

- Ends -

For further details please contact:

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