Dewhurst PLC
("Dewhurst" or the "Group")
Preliminary Results for the year ended 30 September 2017

Chairman's Statement

Results

I am delighted to report record results for the Group for the year to 30 September 2017. Group sales for the year increased 12.2% to £52.9 million (2016: £47.2 million) assisted by positive currency movements during the period. Operating profit before amortisation of acquired intangibles was £6.2 million (2016: £5.5 million) and profit before tax was £6.0 million (2016: £5.1 million) up 17.3%. The results demonstrate the benefit of the geographical spread of our businesses and markets.

In local currencies the lift business in the UK was broadly flat; North America fell back after strong growth last year, but there was good growth in Australia. In addition, the lift business in Australia benefitted from 8 months' contribution from our recently acquired business, P&R Liftcars. The Group's Transportation business grew slightly during the year and Keypads had a strong year, although the demand peaked in the first half and fell back to slightly lower than normal levels for the second half. Whilst the pound fluctuated during the year, on average it was considerably weaker this year compared to the average last year. Overall, the currency movements have resulted in a gain on translation on reported sales of £3.3 million and on profit before tax of £0.4 million compared to the rates prevailing last year.

Our teams around the world have worked hard to generate and support additional sales in what continues to be a challenging environment and I thank them for their hard work and dedication during the year.

With the improved profit and in accordance with our strategy of delivering a progressive dividend, the Board is proposing a 0.5 pence increase in the final dividend to 8.5 pence which represents a total 1 pence increase for the year as a whole.

Operations and People

We opened our Middle East office as planned early in 2017 and that has allowed us to develop stronger relationships with customers in the area. We are working on a number of interesting projects with varying time horizons.

We were very happy to welcome Roy Peat and his team at P&R Liftcars to the Group in early 2017. They are a high quality provider of car interiors and associated products in New South Wales and complement our other businesses in Sydney. P&R have recently been migrated to our Group computer system and the business is currently performing in line with management expectations.

After several years of fluctuating performance at ERM in California, we have rationalised that business and are focussing our efforts on the product markets we know best, which are the lift fixtures. ERM is now a smaller but more manageable business and despite the challenges, we still feel there are positive opportunities for growth in this market.

We have continued our programme of upgrading our factory equipment and are also continuing to invest heavily in software to improve the quality and efficiency of our service. We are aiming to better capture our engineering knowledge so that it can be shared with all staff interfacing with our customers. Customers are struggling to maintain the depth of skills in their organisations and are increasingly reliant on suppliers such as ourselves to provide that skilled input.

Products

We have introduced a comprehensive range of street furniture bollards this year, which are gradually building momentum in the market.

For the lift market, we have introduced a mid-sized pushbutton this year, which fits between our standard and our jumbo ranges. This meets particular code requirements in some of our overseas markets, but has also generated considerable interest in markets where it is not a specified requirement due to its enhanced styling and greater usability.

Outlook

As mentioned above, the weaker pound is benefitting our reported figures. Against this, UK demand is more fragile at the moment and projects are subject to delay and deferral. Both these effects are at least partly caused by the uncertainty regarding the path leading to and beyond Brexit. So any progress, or lack of it, in the Brexit negotiations could materially affect our future results.

Overseas, demand in the lift market is more buoyant with North America, Australia and the Far East generally reasonably positive. However, the weaker demand for keypads in the second half has flowed through into the new financial year. With contrasting significant positive and negative factors it is difficult to predict where the balance will lie. However the spread of our business gives us resilience and the strength of our balance sheet allows us to continue to invest to improve our performance and effectiveness.

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 specialist 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 on page 2.

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 which are stated in the five year review on page 11. The key non-financial performance indicators relevant to the Group are quality measures and on-time deliveries to our customers.

Operating Highlights

After a strong first half of the year, the second half proved a little more challenging. Taking the year as a whole, Australia and Asia provided good growth, as did Hungary. The UK was broadly flat and in North America we saw a decline in sales. Overall though it was a very solid Group performance and it is always pleasing to be able to report record results.

In line with the Chairman, I would like to thank all our staff in all our Group Companies for their hard work and the important contribution they have made to achieve these results.

UNITED KINGDOM

Dewhurst UK

We had a reasonable year at Dewhurst UK but were unable to continue the growth that we achieved in 2016.

All regions, with the exception of Europe showed slightly lower demand and we were also affected by a lull in production for projects in the Middle East. We are however confident that this lull is only temporary and expect continued growth in the coming years. Indeed, the new financial year has started more positively with a number of delayed projects starting to move into production.

Deliveries of products for UK infrastructure projects have continued and it will be exciting to see our products in use on the new Elizabeth Line when it opens next year.

We have worked to continually improve our manufacturing processes through the year and one key project has been to improve the flexibility of our pushbutton pressel tooling. We can now mould all our ranges on our two pressel tools, rather than just selective ranges. This has sharply reduced the number of tool changes that we need to carry out, reducing waste in terms of both time and material.

Thames Valley Controls ("TVC")

It was another challenging year for TVC but the decline in sales has been arrested with the company showing a small but important increase in sales.

During the year we have gradually improved our production processes for the Ethos 2 controller. This will allow us to increase our capacity for this product line. We are investing in a new computer aided panel layout and wiring system that will streamline our engineering processes and will also allow for automated transfer of information from engineering into production. Furthermore, we recently completed the design and manufacture of four test simulators that will dramatically reduce the test time for an Ethos 2 panel.

The new features that are required to meet the EN81-20 standard have proved quite onerous but these have now been fully incorporated into the design and function of our Ethos 2 product line.

We have in the year won and installed some major monitoring projects for both local Councils and Housing Associations. Our new Non Invasive Monitoring ("NIM") system has been particularly successful. The NIM interface allows us to provide full lift monitoring in closed-protocol lift control systems. It provides all the benefits of full lift monitoring and breakdown indication to our customers irrespective of their make of lift. Through our online dashboard our customers can get instant breakdown advice, KPI reports for tenants as well as better management of repairs.

Traffic Management Products ("TMP")

After the significant growth in 2016, sales at TMP grew once again this year although the increase was more measured. The first half of the year was especially strong but demand tailed off during the summer months.

Over the past 18 months we have launched a significant number of new products and the challenge for the coming year is to ensure that these new products gain good traction in the market.

We have also targeted additional export sales this year and in particular, have been successful in growing our Far East sales.

As with our other companies, we continue to focus on process improvements and at TMP that has led us to reassess our supply chain. The result of this investigation is that we have decided to take control of our key supply chain processes such as moulding and lamination of our bollards and to integrate them into the business over the coming 24 months.

EUROPE & THE MIDDLE EAST

Dewhurst Hungary

Sales strengthened quite well at Dewhurst Hungary, with an 8% improvement over the previous year. However that growth was predominantly in the first half of the year and sales in the second half were disappointing. There is currently a fairly significant reduction in demand for ATM's and this does impact us. There is a growing trend for contactless payments and associated with that there will inevitably be a reduced dependency on cash. We are uncertain if the current reduction in the demand for ATM's is a result of these issues.

We have been busy with a new design of our stainless steel keypad which removes the key skirt that we have historically used. This will make for a cleaner design and also allow us to reduce the cost of our product range.

Quality continues to be a key focus in Hungary and we have once again managed to fall inside the PPM figure that our key customer has set us.

Dewhurst Middle East

In the second half of the year we welcomed Yasin Merchant to our team and he has taken on the role of Business Development Manager at Dewhurst Middle East.

Having an operating company based in the Middle East (in Dubai), will allow us to properly engage in that market. Although it is early days we have already won a number of new projects and the outlook for the coming year is encouraging.

The company will predominantly source their products through Dewhurst UK and focus on fulfilling demand in the region for lift signalisation products. There is also an opportunity longer term to broaden the range of lift products marketed through Dewhurst Middle East.

NORTH AMERICA

Dupar Controls

Sales fell back at Dupar following some years of good growth. However, despite the 6% fall in sales, we were able to improve our margins and closely control our overheads, which led to a year of record profits in Canada.

Our Operations Manager from Dewhurst Hungary transferred over to Canada and he has been tasked with boosting the capacity at Dupar. To achieve this we are planning to reorganise the plant and we are also assessing the need to invest in new manufacturing operations software that will help us better control our planning, scheduling and execution of jobs as well as improving traceability of parts around the plant.

Elevator Research & Manufacturing (“ERM”)

This proved to be a very difficult year for ERM. Sales fell sharply and we incurred significant losses.

In the second half of the year it became clear that we would need to restructure the business by mothballing the door and cab product lines and focusing solely on the core business of elevator signalisation. We completed the restructuring in the financial year and therefore move into the new financial year with a much more clearly targeted business and significantly lower and more manageable overheads. We still believe that there are real opportunities for our products on the West Coast of the USA and are working to resolve the challenges in the business.

AUSTRALIA & ASIA

Australian Lift Components (“ALC”)

The Australian market continues to be quite buoyant and all our Australian businesses showed solid growth over the previous year. ALC however achieved the highest level of growth with strong demand for their lift signalisation products.

ALC opened a new sales office in Brisbane, which has allowed us to better serve our customers in Queensland.

Lift Material

Sales at Lift Material remained quite consistent throughout the year and the restructuring of the business into two divisions, elevators and escalators has worked well. It has allowed us to focus clearly on those two distinct markets, delivering growth for both divisions.

P&R Liftcars (“P&R”)

We completed the acquisition of P&R Liftcars early in 2017 and we welcome Roy Peat and his colleagues to the Group.

Based in Sydney, P&R is a similar business to Dual Engraving. They design, manufacture and install custom lift interiors into lift cars in Sydney and throughout New South Wales. They also provide doors, entrances and other elements of steelwork for lifts and escalators.

Lift interiors is a specialist industry and it is crucial that you are local to your market in order to provide a high level of service.

There is though quite a high level of synergy between a lift interior business and a lift signalisation business as customers often purchase these two elements of the lift car with one supplier. We will look to leverage this synergy over the coming years.

Dual Engraving

Despite the Perth economy continuing to be somewhat soft, Dual grew their sales over the year. There are fewer major projects at the moment but there is still a steady base load of jobs.

We are continuing to invest in new manufacturing plant to improve our processes and allow us to increase capacity and have just taken delivery of a new brake press.

Dewhurst Hong Kong

Sales grew in Hong Kong by 16% to a new record level. This growth was achieved by the sales of TMP products into the Hong Kong market. Sales of our lift products fell as the property market softened. However, demand for lift products has shown signs of strengthening in the new financial year and we will work hard to continue to grow our sales outside Hong Kong.

Approved and signed on behalf of the board

David Dewhurst
Group Managing Director

Financial Review

Trading results

Dewhurst Group sales revenue continued its upward trend with double digit growth and record sales. The Australian market saw the biggest growth in local terms with all subsidiaries reporting record sales whilst the UK market was static overall with some marginal sales gains and losses across the companies. Unfortunately North America saw a decline in sales and as reported in the Chairman's Report and Strategic Report and decisive action has been taken at ERM to restructure the business and a turnaround plan has been put in place. Overall the real growth in sales this year came from the acquisition of P&R Liftcars Pty Ltd, which contributed £2.2 million, and the benefit from foreign exchange resulting from a weakened pound. Roughly two thirds of sales are earned and held in foreign currencies which are retranslated for Group reporting, and this increased like for like sales by £3.3m or 7.0%. These same two key factors ensured record profits for the Group, with the addition of P&R Liftcars Pty Ltd and foreign profit retranslation both contributing £0.4 million each.

Overall revenue increased by 12.2% from £47.2 million to £52.9 million and adjusted operating profit (before acquired intangible amortisation) increased by 13.5% from £5.5 million to £6.2 million.

The effective corporation tax rate fell 8.5% from 31.0% in 2016 to 22.5% this year. Last year there was a movement in the deferred tax rates which increased the tax rate by 7.2% and there was no such movement this year. The lower tax rate results in the overall profit for the financial year increasing 31.7% from £3.5 million to £4.6 million.

Solid cash position

Cash flow was once again strong with £4.4 million of cash being generated from operations (2016: £2.8 million). Despite pension contributions of £1.4 million, spending £0.9 million on the acquisition of P&R Liftcars Pty Ltd, investing £1.0 million in key plant and equipment as well as increasing dividends and a share buy back, the Group still ended the year with cash and short-term deposits at £18.1 million, up £1.4 million from £16.7 million in 2016.

The Group started and finished the year with no borrowing or bank overdraft facility.

Pension scheme deficit

Having reported extensively over the last few years on the defined benefit pension scheme and a widening deficit, it is pleasing to be able to report an improvement this year. The pension scheme assets for the second year running delivered better than expected returns, this year to the tune of £1.7 million. The liability discount rate which dropped drastically in 2016 has edged back up in 2017 from 2.5% to 2.6% reducing the liabilities by £1.1 million and the mortality rates have also been realigned by the actuary in light of more recent findings which resulted in a further reduction of liabilities by £1.1 million. Offsetting this, inflation assumptions increased slightly adding £0.3 million to liabilities. Overall the scheme deficit has reduced £4.6 million from £16.4 million in 2016 to £11.8 million.

A more detailed analysis of the retirement benefit fund assets and liabilities movements is reported in note 21 and 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 were 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 to consider the need to use derivatives in the form of foreign exchange contracts to manage its currency risk, as reported in note 24.

Dividends

Dividends are accounted for when paid or approved by shareholders, and not when proposed, therefore the proposed final dividend for 2017 has not been accrued at the balance sheet date. The total dividend for 2017 of 12.00p per share is 9.1% up on 2016 and is covered 4.6 times by earnings. Details of dividend payments for the year are set out in Note 1 below. Total equity improved from £24.6 million to £31.2 million primarily as a result of a strong performance in the year as well as the £4.6m drop in the pension deficit referred to above.

Following a share repurchase, there was a reduction in the number of allotted shares during the year, and these have been fully reported in the directors' report on page 13.

Jared Sinclair

Finance Director

4 December 2017

Consolidated statement of comprehensive income

For the year ended 30 September 2017

Continuing operations	2017 £(000)	2016 £(000)
Revenue	**52,890**	47,159
Operating costs	**(46,646)**	(41,749)
Adjusted operating profit*	**6,244**	5,502
Amortisation of acquired intangibles	**–**	(92)
Operating profit	**6,244**	5,410
Finance income	**117**	126
Finance costs	**(395)**	(451)
Profit before taxation	**5,966**	5,085
Taxation	**(1,345)**	(1,577)
Profit for the financial year	**4,621**	3,508
Other comprehensive income:		
Actuarial gains/(losses) on the defined benefit pension scheme	**3,672**	(5,071)
Deferred tax effect	**(624)**	862
Total that will not be subsequently reclassified to income statement	**3,048**	(4,209)
Exchange differences on translation of foreign operations	**(104)**	2,621
Deferred tax effect	**18**	(446)
Total that may be subsequently reclassified to income statement	**(86)**	2,175
Other comprehensive income/(expense) for the year, net of tax	**2,962**	(2,034)
Total comprehensive income for the year	**7,583**	1,474
Profit for the year attributable to:		
Equity shareholders of the company	**4,445**	3,453
Non-controlling interests	**176**	55
	4,621	3,508
Total comprehensive income for the year attributable to:		
Equity shareholders of the company	**7,428**	1,289
Non-controlling interests	**155**	185
	7,583	1,474
Basic and diluted earnings per share	**52.65p**	40.75p

* Operating profit before amortisation of acquired intangibles

Consolidated balance sheet

At 30 September 2017

	2017 **£(000)**	2016 £(000)
Non-current assets		
Goodwill	**4,575**	3,444
Other intangibles	**98**	91
Property, plant and equipment	**9,267**	9,240
Deferred tax asset	**1,641**	2,423
	15,581	15,198
Current assets		
Inventories	**5,566**	4,863
Trade and other receivables	**10,011**	10,301
Cash and cash equivalents	**18,087**	16,674
	33,664	31,838
Total assets	**49,245**	47,036
Current liabilities		
Trade and other payables	**5,567**	5,365
Current tax liabilities	**368**	164
Short-term provisions	**326**	554
	6,261	6,083
Non-current liabilities		
Retirement benefit obligation	**11,751**	16,373
Total liabilities	**18,012**	22,456
Net assets	**31,233**	24,580
Equity		
Share capital	**842**	847
Share premium account	**157**	157
Capital redemption reserve	**295**	290
Translation reserve	**1,969**	2,034
Retained earnings	**26,969**	20,663
Total attributable to equity shareholders of the company	**30,232**	23,991
Non-controlling interests	**1,001**	589
Total equity	**31,233**	24,580

The financial statements were approved by the board of directors and authorised for issue on 4 December 2017 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 2017

	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 2015	847	157	290	(11)	22,521	534	24,338
Share repurchase	–	–	–	–	–	(86)	(86)
Exchange differences on translation of foreign operations	–	–	–	2,491	–	130	2,621
Actuarial gains/(losses) on defined benefit pension scheme	–	–	–	–	(5,071)	–	(5,071)
Deferred tax effect	–	–	–	(446)	862	–	416
Dividends paid	–	–	–	–	(1,102)	(44)	(1,146)
Profit for the year	–	–	–	–	3,453	55	3,508
At 30 September 2016	**847**	**157**	**290**	**2,034**	**20,663**	**589**	**24,580**
Shares issued	**–**	**–**	**–**	**–**	**–**	**311**	**311**
Share repurchase	**(5)**	**–**	**5**	**–**	**(217)**	**–**	**(217)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(83)**	**–**	**(21)**	**(104)**
Actuarial gains/(losses) on defined benefit pension scheme	**–**	**–**	**–**	**–**	**3,672**	**–**	**3,672**
Deferred tax effect	**–**	**–**	**–**	**18**	**(624)**	**–**	**(606)**
Dividends paid	**–**	**–**	**–**	**–**	**(970)**	**(54)**	**(1,024)**
Profit for the year	**–**	**–**	**–**	**–**	**4,445**	**176**	**4,621**
At 30 September 2017	**842**	**157**	**295**	**1,969**	**26,969**	**1,001**	**31,233**

Consolidated cash flow statement

For the year ended 30 September 2017

	2017 £(000)	2016 £(000)
Cash flows from operating activities		
Operating profit	**6,244**	5,410
Depreciation and amortisation	**975**	907
Contributions to pension scheme, net of administration fee	**(1,343)**	(1,346)
Exchange adjustments	**(49)**	383
(Profit)/loss on disposal of property, plant and equipment	**21**	(10)
	5,848	5,344
(Increase)/decrease in inventories	**(703)**	(112)
(Increase)/decrease in trade and other receivables	**290**	(2,245)
Increase/(decrease) in trade and other payables	**202**	863
Increase/(decrease) in provisions	**(228)**	236
Cash generated from operations	**5,409**	4,086
Interest paid	**(2)**	–
Tax paid	**(968)**	(1,302)
Net cash from operating activities	**4,439**	2,784
Cash flows from investing activities		
Acquisition of business and assets	**(933)**	–
Subsidiary share repurchase – non controlling interest element	**–**	(86)
Proceeds from sale of property, plant and equipment	**52**	18
Purchase of property, plant and equipment	**(978)**	(901)
Development costs capitalised	**(82)**	(62)
Interest received	**117**	126
Net cash generated from/(used in) investing activities	**(1,824)**	(905)
Cash flows from financing activities		
Dividends paid	**(1,024)**	(1,145)
Purchase of own shares	**(217)**	–
Net cash used in financing activities	**(1,241)**	(1,145)
Net increase/(decrease) in cash and cash equivalents	**1,374**	734
Cash and cash equivalents at beginning of year	**16,674**	14,958
Exchange adjustments on cash and cash equivalents	**39**	982
Cash and cash equivalents at end of year	**18,087**	16,674

Notes

1. AGM, results and dividends

The trading profit for the year, after taxation, amounted to £4.6 million (2016: £3.5 million).

A final dividend on the Ordinary and 'A' non-voting ordinary shares of 8.50p per share (2016: 8.00p) for the financial year ended 30 September 2017 will be proposed at the Annual General Meeting (AGM) to be held on 8 February 2018. If approved, the shares will turn ex-div on 18 January 2018 with the dividend will be paid on 14 February 2018 to members on the register at 19 January 2018.

An interim dividend of 3.50p per share (2016: 3.00p) was paid on 22 August 2017.

2. Earnings per share and dividend per share

Weighted average number of shares	**2017 No.**	2016 No.
For basic and diluted earnings per share	**8,442,843**	8,474,893

The calculation of basic and diluted earnings per share is based on the profit for the financial year of £4,444,813 and on 8,442,843 Ordinary 10p and 'A' non-voting ordinary 10p shares, being the weighted average number of shares in issue throughout the financial year.

Paid dividends per 10p ordinary share	**2017 £(000)**	2016 £(000)
2016 final paid of 8.00p (2015: 10.00p)	**(678)**	(848)
2017 interim paid of 3.50p (2016: 3.00p)	**(295)**	(254)
Unclaimed dividends returned - more than 12 years old	**3**	–
Dividends paid – The Company	**(970)**	(1,102)
Dividend to non-controlling interest – Dual Engraving Pty Ltd & P&R Liftcars Pty Ltd	**(54)**	(44)
Dividends paid – The Group	**(1,024)**	(1,146)

The final proposed dividend is based on 3,309,200 Ordinary 10p shares and 5,115,698 'A' non-voting ordinary 10p shares, being the latest number of shares in issue. The directors are proposing a final dividend of 8.50p (2016: 8.00p) per share, totalling £716k (2016: £678k). This dividend has not been accrued at the balance sheet date.

3. Accounting policies

The accounting policies applied to the 2017 accounts have been consistent with 2016 in all manners.

4. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2017 or 2016. Statutory accounts for 2016 have been delivered to the Registrar of Companies. The statutory accounts for 2017 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, Moore Stephens LLP, who have indicated that they will be giving an unqualified opinion in their report on the statutory financial statements for 2017. The auditor has also reported on the 2016 accounts. Their report was unqualified, did not include references to any matters to which the auditor drew attention to by way of emphasis without qualifying the opinion and did not contain a statement under section 498 of the Companies Act 2006.

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 2017 will be sent to shareholders and will also be available on the Company's website www.dewhurst.plc.uk on 22 December 2017.

- Ends -

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