# DEVONSHIRE INDUSTRIES LIMITED

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# Presidents Report
# Year Ended March 31, 2026

## Fiscal 2026 Overview

Fiscal 2026 was a difficult year for Devonshire Industries Limited. While the Company remained profitable and generated positive operating cash flow, overall financial performance fell short of both the prior year and expectations. The primary challenge was a reduction in sales volumes across several core product lines. The volume reduction is attributed in part to weather patterns, construction project delays, customer sentiment and increased competition. Despite these challenges, the Company maintained a strong financial position. Disciplined management of inventory and working capital improved operating cash flow and strengthened liquidity, providing a solid foundation for recovery.

## Financial Performance

Revenue totaled $2.60 million, a decrease of 12.0% from $2.95 million in the prior year. Sales volumes declined by approximately 17.4%, with the largest reductions in manufactured paint, Truefoam and Thoroseal. Higher average selling prices recovered part of the shortfall. Gross profit decreased from $1.31 million to $1.12 million, with the margin easing from 44.4% to 43.2%. Operating expenses rose by approximately 4.8%, driven by higher insurance, employee-related, marketing and administrative costs. Net income for the year was $82,399, compared with $320,830 in the previous year.

## Balance Sheet and Cash Flow

Operating cash flow increased to $277,483 from $216,136, principally through disciplined working capital management and lower inventory levels. The Company invested approximately $53,000 in capital improvements and returned $218,000 to shareholders via dividends. Cash balances rose modestly to $527,028. Shareholders' equity stood at approximately $2.23 million, supported by relatively low current liabilities. This strong balance sheet provides flexibility as the Company works to improve performance.

## Looking Ahead

The principal objective for Fiscal 2027 is to restore profitable sales growth while maintaining financial discipline. Management will focus on rebuilding volumes in key product categories—particularly manufactured paint, Truefoam and Thoroseal—while preserving recent pricing gains. Emphasis will also be placed on strengthening customer relationships, improving market penetration and keeping the product offering competitive. Careful control of operating costs, inventory and receivables will continue, alongside selective investments that enhance efficiency and support growth. Although the market remains competitive, the Company's strong financial position, established customer base and experienced team place it in a sound position for the future.

On behalf of the Board of Directors, I thank our employees for their dedication throughout a challenging year, our customers, suppliers and partners for their continued support, and our shareholders for their confidence in Devonshire Industries. We enter the new financial year with a clear strategy, a strong balance sheet and a continued commitment to delivering value.

Yours Faithfully,

Jacob Hocking
President
11 August 2026