

DEVONSHIRE INDUSTRIES LIMITED

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BERMUDA

August 20 2009

Dear Shareholder,

Enclosed are the Financial Statements for the year ending March 31, 2009.

Highlights are:

Net income is up by \$18,175 or 4 % but this was due mainly to a decrease in operating expenses of \$25,487.

Cash and Deposits for the year were down by \$132,629 or 14%. This decrease is due to two factors: shorter credit terms for some of the purchases in current year compared with last year, and the timing of settlement of payables.

The company still has strong cash flow.

This year has been a very challenging year for the company, the global recession, the decline in the construction industry and reduced spending by consumers left sales flat. Further during the last three months of our financial year, we had two months of rain and unsettled weather.

I wish to thank the staff and management for their hard work in controlling expenses and keeping the company profitable.

Very little has been spent on the Building over the last ten years so the company is looking at plans to improve working conditions and the retail shop. In conjunction management are working on a new approach to selling and manufacturing our products which should ensure the future profitability of the company.

As plans progress we will inform shareholders and supply more details.

We have included a copy of the updated By-laws for Devonshire Industries Limited which reflects recent changes in the Company's Act. We are proposing these amendments be accepted at our next AGM as they should allow us to operate more efficiently.

Yours Sincerely,


Barry Hanson
Chairman

Devonshire Industries Limited

Annual Report and
Consolidated Financial Statements
March 31, 2009

Devonshire Industries Limited

Unaudited

March 31, 2009

Summary of financial information

	Year ended March 31				
	2009 \$	Restated 2008 \$	Restated 2007 \$	2006 \$	2005 \$
Assets	2,875,050	2,946,001	3,095,608	3,068,808	3,070,170
Liabilities	146,673	220,835	187,928	184,765	143,866
Shareholders' equity	2,728,377	2,725,166	2,907,680	2,884,043	2,926,304
Net earnings	444,886	426,711	461,637	395,739	350,897

Directors' share interests and service contracts

Pursuant to Regulation 6.8(3) of Section 11B of the Bermuda Stock Exchange Listing Regulations, the total interests of all the directors and officers of the company in the shares of the company at March 31, 2009 were 93,731 (2007 - 93,731) shares. No rights to subscribe for shares in the company have been granted to or exercised by any director or officer. There are no service contracts with directors.

Consolidated Financial Statements
March 31, 2009

August 20, 2009

Auditors' Report

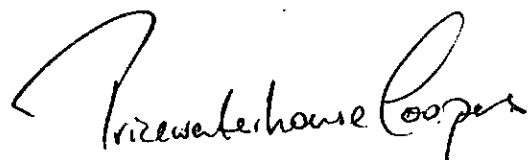
To the Shareholders of Devonshire Industries Limited

We have audited the consolidated balance sheet of Devonshire Industries Limited as at March 31, 2009 and the consolidated statements of income and retained earnings, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

As described in note 4, the land and buildings were restated at appraised value in 1992. With effect from 1991, generally accepted accounting principles preclude restating property, plant and equipment at appraised value, and therefore the restatement in 1992 is not in accordance with generally accepted accounting principles. If the land and buildings had not been restated at the 1992 appraised value, depreciation and the realisation of the excess of appraised value of property, plant and equipment over depreciated cost would be decreased by \$20,000, net income would be increased by \$20,000, and property, plant and equipment and the excess of appraised value of property, plant and equipment over depreciated cost would be decreased by \$265,000.

In our opinion, except for the effects of restating land and buildings at appraised value in 1992 as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.



Chartered Accountants

A list of partners can be obtained from the above address.

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers (a Bermuda partnership) or, as the context requires, the PricewaterhouseCoopers global network or other member Firms of the network, each of which is a separate and independent legal entity.


Devonshire Industries Limited

Consolidated Balance Sheet

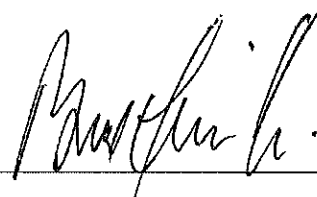
As at March 31, 2009

	2009 \$	Restated (note 11) 2008 \$
Current assets		
Cash	248,617	146,833
Deposits	574,335	808,747
Accounts receivable – trade - net (note 8)	302,656	285,468
– other	18,865	25,878
Inventories (note 3)	781,413	704,005
Prepaid expenses	60,837	81,592
	1,986,723	2,052,523
Property, plant and equipment-net (note 4)	839,994	825,145
Intangible asset (note 9)	48,333	68,333
	2,875,050	2,946,001
Current liabilities		
Accounts payable and accrued liabilities (note 8)	146,673	220,835
Shareholders' equity		
Capital stock		
Authorised -		
456,000 common shares of a par value of \$0.50 each		
Issued and fully paid -		
441,675 common shares (note 5)	220,838	220,838
Contributed surplus	56,790	56,790
Share premium (note 5)	89,954	89,954
Excess of appraised value of property, plant and equipment over depreciated cost (note 5)	336,453	362,957
Retained earnings	2,024,342	1,994,627
	2,728,377	2,725,166
	2,875,050	2,946,001

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Consolidated Statement of Income and Retained Earnings For the year ended March 31, 2009

	2009 \$	Restated (note 11) 2008 \$
Sales (note 8)	3,551,128	3,519,729
Cost of sales	2,057,121	2,020,719
Gross margin (2009 - 42.1%; 2008 - 42.6%)	1,494,007	1,499,010
Administrative and selling expenses (note 10)	1,101,706	1,127,192
Operating income	392,301	371,818
Other income	52,585	54,893
Net income for the year	444,886	426,711
Retained earnings - Beginning of year	1,994,627	2,200,250
Realisation of the excess of appraised value of property, plant and equipment over depreciated cost (note 5)	26,504	26,504
	2,466,017	2,653,465
Dividends	441,675	658,838
Retained earnings - End of year	2,024,342	1,994,627
Net income per share	1.01	.97

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Consolidated Statement of Changes in Shareholders' Equity For the year ended March 31, 2009

	Capital stock \$	Contributed surplus \$	Share premium \$	Revaluation reserve \$	Retained earnings \$	Total \$
Balance, March 31, 2007	219,000	56,790	42,179	389,461	2,247,493	2,954,923
Restatement (note 11)					(47,243)	(47,243)
Balance, March 31, 2007 (restated)	219,000	56,790	42,179	389,461	2,200,250	2,907,680
Net income for the year (note 11)	-	-	-	-	426,711	426,711
Issuance of shares (note 5)	1,838	-	47,775	-	-	49,613
Dividends paid	-	-	-	-	(658,838)	(658,838)
Realisation of revaluation reserve (note 5)	-	-	-	(26,504)	26,504	-
Balance, March 31, 2008	220,838	56,790	89,954	362,957	1,994,627	2,725,166
Net income for the year	-	-	-	-	444,886	444,886
Dividends paid	-	-	-	-	(441,675)	(441,675)
Realisation of revaluation reserve (note 5)	-	-	-	(26,504)	26,504	-
Balance, March 31, 2009	220,838	56,790	89,954	336,453	2,024,342	2,728,377

The accompanying notes are an integral part of these financial statements.

Devonshire Industries Limited

Consolidated Statement of Cash Flows

For the year ended March 31, 2009

	2009 \$	Restated (note 11) 2008 \$
Cash flows from operating activities		
Net income for the year	444,886	426,711
Add (deduct) items not affecting cash:		
Depreciation	79,046	92,437
Amortisation of intangible asset	20,000	11,667
Shares issued	-	49,613
Changes in non-cash working capital items:		
Accounts receivable - trade and other	(10,175)	30,233
Inventories	(77,408)	12,607
Prepaid expenses	20,755	21,475
Accounts payable and accrued liabilities	(74,162)	32,907
Net cash provided by operating activities	402,942	677,650
Cash flows from investing activities		
Purchase of property, plant and equipment	(93,895)	(20,823)
Asset in progress	-	(18,837)
Intangible asset	-	(80,000)
Cash used in investing activities	(93,895)	(119,660)
Cash flow from financing activity		
Dividends paid	(441,675)	(658,838)
Cash used in financing activity	(441,675)	(658,838)
Decrease in cash and time deposits	(132,628)	(100,848)
Cash and time deposits- beginning of year	955,580	1,056,428
Cash and time deposits- end of year	822,952	955,580
Cash and time deposits consist of:		
Cash	248,617	146,833
Time deposits	574,335	808,747
	822,952	955,580
Supplemental cash flow		
Cash received from interest	30,916	47,579

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Notes to Consolidated Financial Statements

March 31, 2009

1. *Nature of business*

Devonshire Industries Limited ("the company") and Bermuda Paint Company Limited ("the subsidiary") (note 2(b)) are incorporated under the laws of Bermuda. The company is primarily engaged in the management of the Bermuda Paint Company Limited, which is primarily engaged in the manufacture and sale of architectural and related products. The company is listed on the Bermuda Stock Exchange.

2. *Significant accounting policies*

The accompanying financial statements are in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates. Outlined below are those policies considered particularly significant.

(a) **Adoption of New Accounting Standards**

During the year, the following standards of the Canadian Institute of Chartered Accountants (CICA) Handbook were adopted by the company:

CICA Handbook Section 3031-Inventories

This standard provides clearer guidance on the measurement and disclosure requirements for inventories. Specifically it reduces the number of alternatives for measurement of inventories, narrows the permitted cost formulas, requires reversal of write-downs to net realizable value when there is a subsequent increase in the net realizable value of inventories; and enhances financial statement disclosure.

CICA Handbook Section 1400- Assessing Going Concern

This standard requires management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

CICA Handbook Section 1535-Capital Disclosures

This standard requires disclosures of qualitative information about the entity's objectives, policies and processes for managing capital; quantitative data about what the entity manages as capital and whether the entity has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

(b) **Principles of consolidation**

These consolidated financial statements include the financial statements of Devonshire Industries Limited and its wholly-owned subsidiary, Bermuda Paint Company Limited.

(c) **Inventories**

Inventories are carried at the lower of cost (either average or actual cost as appropriate to the class of inventory) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Devonshire Industries Limited

Notes to Consolidated Financial Statements
March 31, 2009

(d) **Property, plant and equipment**

Property, plant and equipment are carried at cost or appraised value, less accumulated depreciation. Depreciation is charged on a straight-line basis, unless noted below, over the estimated useful lives of the assets as follows:

Buildings (based on gross book value after appraisals (note 4))	4%
Factory forklift and electrical improvements	10%
Factory and office equipment (diminishing balance method)	15%
Motor vehicles	20%
Computers	25%

(e) **Revenue recognition**

Sales comprise the fair value of the consideration for the sale of products in the ordinary course of the company's activities. Allowance for trade discounts is provided for during the month of sale.

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable.

(f) **Accounts receivable**

Accounts receivable are carried at the original invoice amount to customers less an estimate made for doubtful receivables based on periodic review of all outstanding amounts, which includes an analysis of historical bad debt and customer creditworthiness. Bad debts are written off when identified.

(g) **Intangible assets**

Intangible asset are initially recognised at cost. Intangible assets that have indefinite useful lives are tested for impairment on an annual basis. Intangible assets that have finite useful lives are amortised over those lives on a straight-line basis.

(h) **Cash**

Cash comprises cash on hand and bank deposits.

(i) **Deposits**

Deposits are fixed term deposits in the bank with maturity of less than one year.

(j) **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

(k) **Capital Management**

The company's policy is to maintain strong capital structure. The company manages its capital to safeguard the entity's ability to continue as a going concern, to provide an adequate return to shareholders, to meet its financial obligations, and to have the financial flexibility to take advantage of growth opportunities.

The company defines capital as the amount presented in the equity section of the balance sheet.

In order to maintain or adjust its capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

The company is not subject to any external capital requirements as at the year end.

Devonshire Industries Limited
Notes to Consolidated Financial Statements
March 31, 2009

3. Inventories

Inventories are classified as follows:

	2009 \$	2008 \$
Raw materials	285,672	307,670
Trading goods	325,781	260,593
Finished goods	169,960	135,742
	781,413	704,005

Cost of sales comprises inventories expensed during the year. There are no inventories written down during the year (2008 - \$Nil).

4. Property, plant and equipment

	2009		2008	
	Cost or appraised value \$	Accumulated depreciation \$	Net \$	Net \$
Land (appraised value)	225,000	-	225,000	225,000
Buildings (appraised value)	766,036	507,358	258,678	289,319
Improvements (cost)	277,803	162,284	115,519	113,005
Factory equipment (cost)	746,491	557,362	189,129	120,616
Office equipment (cost)	159,670	119,608	40,062	35,089
Motor vehicles (cost)	90,413	90,413	-	3,070
Computer (cost)	118,238	106,632	11,606	8,753
Asset in progress (cost)	-	-	-	30,293
	2,383,651	1,543,657	839,994	825,145

Depreciation in the amount of \$79,046 (2008 - \$92,437) has been charged against income during the year of which \$16,667 (2008 - \$11,845) is included in the cost of manufactured goods.

In 1976, 1981 and 1992 the land and buildings were appraised. In 1992, the value of the land and buildings was appraised by Woodbourne Associates Ltd. The person who carried out the appraisal was also a director of the company. The revaluation resulted in an increase in the excess of appraised value of property, plant and equipment over depreciated cost of \$601,633 (note 5). The excess of the appraised value over depreciated cost is included in shareholders' equity. The portion of the depreciation for the year of \$26,504 (2008 - \$26,504) which represents the realisation of the appraisal increases of the buildings in 1971, 1981 and 1992 has been transferred to retained earnings (note 5).

Devonshire Industries Limited
Notes to Consolidated Financial Statements
March 31, 2009

5. Shareholders' equity

(a) **Shares issued to employees**

On March 22, 2007, the Board of Directors approved the issuance of 3,675 shares to employees of the company. These shares were issued in fiscal year 2008 at the market value of \$13.50 for a total consideration of \$49,613 and are included in administrative expenses. Share capital increased by \$1,838 and share premium by \$47,775.

(b) **Share premium**

The share premium balance relates to the excess over par value of shares of the company issued.

(c) **Excess of appraised value of property, plant and equipment over depreciated cost**

	2009 \$	2008 \$
Balance - Beginning of year	362,957	389,461
Portion realised through depreciation based upon appraised values	<u>(26,504)</u>	<u>(26,504)</u>
Balance - End of year	<u>336,453</u>	<u>362,957</u>

6. Pension plan

The company and its subsidiary have an administered defined contribution pension plan for their employees. Pension benefits are determined as a function of accumulated contributions made by both the companies and the employees and the investment returns earned by the invested contributions. The companies' contributions are charged against income in the year the employees provided the service. The pension expense for the year was \$35,007 (2008 - \$36,929).

7. Financial instruments

The estimated fair value of cash and time deposits, accounts receivable - trade, accounts receivable - other and accounts payable and accrued liabilities approximate their carrying values.

The company could be exposed to credit risk if it failed to collect its accounts receivable from customers. As at 31 March 2009, the maximum exposure is \$302,656. To manage this risk, granting of credit to customers is based on their credit standing. The company reviews the creditworthiness of its customer on an ongoing basis. Any delinquent customers are forwarded to Bermuda Credit Association for collection. As at March 31, 2009, this exposure does not adversely affect the short-term liquidity of the company due to sufficient other liquid assets being available to meet the company's short-term obligations. In addition, the credit risk associated with cash and deposits is not significant as cash and deposits are placed with high credit quality financial institutions. The company also maintains a conservative approach in managing working capital.

Devonshire Industries Limited
Notes to Consolidated Financial Statements
March 31, 2009

8. Related Party Transactions

Transactions between the company and its related parties are disclosed below.

	2009	2008
	\$	\$
Sale of goods	268,255	172,263
Purchases of goods	153,555	99,944
Amounts receivable from related parties	16,023	10,756
Amounts payable to related parties	319	504

Sales of goods to related parties were made at the company's usual list prices, less normal trade discounts. Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

9. Intangible asset

The company purchased distribution rights as a non-exclusive distributor on September 1, 2007.

The cost pertaining to this purchase is being amortised on straight-line basis over four years.

	2009	2008
	\$	\$
Cost	80,000	80,000
Accumulated amortisation	(31,667)	(11,667)
	<u>48,333</u>	<u>68,333</u>

Amortisation in the amount of \$20,000 (2008 - \$11,667) has been charged during the year, which is included in administrative and selling expenses.

10. Administrative and selling expenses

	2009	2008
	\$	\$
Payroll and other related expenses	703,707	665,462
Depreciation and amortisation	82,379	92,259
Advertising and promotions	59,326	70,632
Maintenance expenses	53,023	52,369
Insurance expenses	35,872	36,647
Audit fee	37,965	33,231
Bank charges	17,044	19,971
Other expenses	112,390	156,621
	<u>1,101,706</u>	<u>1,127,192</u>

Devonshire Industries Limited
Notes to Consolidated Financial Statements
March 31, 2009

11. Restatement of prior year amounts

In 2007 and 2008, the company recorded trade discounts granted when payments were received from customers. Allowances for trade discounts were not provided for during the month of sale and therefore sales and trade receivable were overstated.

As at March 31, 2007 and 2008, trade receivable and closing retained earnings were overstated by \$47,243 and \$60,835 respectively, while sales and net income in 2008 were overstated by \$13,592. The impact of the restatement on the company's March 31, 2008 financial statements is set out below:

	As previously reported at 2008 \$	Adjustment 2008 \$	As restated 2008 \$
Balance sheet			
Accounts receivable - trade	346,303	(60,835)	285,468
Current assets	2,113,358	(60,835)	2,052,523
Total assets	3,006,836	(60,835)	2,946,001
Retained earnings	2,055,462	(60,835)	1,994,627
Shareholders' equity	2,786,001	(60,835)	2,725,166
Statement of income and retained earnings			
Sales	3,533,321	(13,592)	3,519,729
Gross margin	1,512,602	(13,592)	1,499,010
Operating income	385,410	(13,592)	371,818
Net income	440,303	(13,592)	426,711
Retained earnings – Beginning of year	2,247,493	(47,243)	2,200,250
Retained earnings – End of year	2,055,462	(60,835)	1,994,627
Net income per share	1.00	(0.03)	0.97