

Dialight plc
("Dialight" the "Company" or the "Group")

Audited preliminary results for the 15-month period ended 31 March 2024

Dialight plc (LSE: DIA.L), the global leader in sustainable LED lighting for industrial applications, announces its audited preliminary results for the 15-month period ended 31 March 2024.

Financial summary	15-months ended 31 March 2024	12-months ended 31 December 2022
	US \$'m	US \$'m
Revenue	226.0	209.8
Underlying (loss)/profit from operating activities	(4.6)	6.1
(Loss)/profit from operating activities	(30.2)	2.8
(Loss)/profit after tax	(32.5)	0.5
Statutory (loss)/profit per share - diluted	(91.1) cents	1.5 cents
Pre-IFRS16 Net debt	(16.4)	(25.4)

Key points

- Group revenue for the 15-month period to 31 March 2024 was US \$226.0m
- Underlying gross margin dropped slightly to 31.0% versus 32.1% in the previous period reflecting a combination of labour and materials inflation
- Underlying operating loss of US \$4.6m for the 15-month period to 31 March 2024
- Non-underlying costs of US \$25.6m comprise costs relating to the transformation plan (US \$4.5m), impairment of goodwill (US \$11.2m), impairment of other intangible assets (US \$4.1m), business disposal costs (US \$3.5m), and litigation costs (US \$2.3m)
- Net debt of US \$16.4m after raising US \$12.0m net proceeds from an equity issue completed in October 2023
- Completed on the disposal of the Traffic business in July 2024 realising gross cash proceeds of US \$5.8m
- Over the last five months, refocused the business in alignment with the core values that the leadership team have collaboratively developed
- Positive momentum within the business moving forward with alignment and support to the strategy

Full year results presentation

The Annual Report & Accounts for the 15-month period ended 31 March 2024 results presentation can be found at:

<https://www.dialight.com/ir/reports-news>

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About Dialight

Dialight (LSE: DIA.L) is a global leader in sustainable LED lighting for industrial applications. Dialight's LED products are providing the next generation of lighting solutions that deliver reduced energy consumption and create a safer working environment. Our products are specifically designed to provide superior operational performance, reliability, and durability, reducing energy consumption and ongoing maintenance, and achieving a rapid return on investment.

The company is headquartered in the UK, with operations in the USA, UK, Mexico, Malaysia, Singapore, Australia, Germany and Dubai. To find out more about Dialight, visit www.dialight.com.

Notes

1. Net debt excludes lease liabilities under IFRS 16.
2. Underlying (loss)/profit from operating activities and underlying LBIT/EBIT are the same measures.
3. The group's interim results for the six months ending 30 September 2024 are due to be released in November 2024.
4. Cautionary Statement: This announcement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future

operations of Dialight plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipated', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Dialight plc believes that the expectations will prove to be correct. There are a number of factors, many of which are beyond the control of Dialight plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. This announcement contains inside information on Dialight plc.

CHIEF EXECUTIVE OFFICER'S REVIEW

The financial period under review was one of significant change for Dialight, with a major restructuring not only of the Board and senior leadership team but the entire organisation's approach to doing business. Whilst I have only been part of the executive team for a relatively short time - having stepped into the CEO role in February of this year - a lot has already occurred and we are already starting to see the green shoots of progress.

Total Group revenue for the 15-month period to 31 March 2024 was US \$226.0m versus US \$209.8m for the 12-month period to 31 December 2022. This slight increase is negated by the longer reporting timeframe, and indicates a slowdown in revenue growth over the past year. However, the last three months showed improving performance month by month and we met forecast revenues in February and March.

Dialight made an underlying operating loss of US \$4.6m in the same 15-month period, and our underlying gross margin dropped slightly to 31.0% (versus 32.1% in the previous period).

We have refocused the business in alignment with the core values that the leadership team have collaboratively developed in recent months. We are confident this will help bring success to Dialight going forward. The opportunities are significant, it is for us to maximise what we achieve and when.

TRANSFORMING THE ORGANISATION

In September 2023 we announced a transformation plan that will see us streamline the Group, reset cost and productivity, and accelerate growth in lighting. We are executing on that plan with a new self-help strategy further developed in early 2024, comprising four key pillars:

1. Winning hearts and minds

We will engage and excite our people, our shareholders and our customers.

2. Sales transformation

We will make improvements to better support the Sales team in feeding our factories with orders. We will also be providing additional tools and support to help with accountability, discipline and excellence from our Sales teams.

3. Operational transformation

We will streamline processes and optimise our production capabilities.

4. Margin improvement and cash generation

We will run the business in a sustainable way to secure Dialight's long-term future.

Winning hearts and minds

If our strategy is to be a successful one, we need all our people to be pulling in the same direction. The senior leadership team is making every effort to engage and excite our employees, to improve discretionary effort and delivery at every level.

We are reinforcing the message that change is coming, that change is expected, and that change will be delivered. Through accountability, discipline, commitment and integrity - and a core set of goals and objectives - we are helping every person understand their contribution to the business, removing the silos that had been allowed to form in recent years and setting the business on a path for growth.

In early 2024, we held town hall meetings in Farmingdale (New Jersey, US), Tijuana (Mexico), Ensenada (Mexico) and Perth (Australia), as well as roundtable discussions with employees in Farmingdale. Based on the input received during these sessions, we followed up with feedback emails to employees - and I have used a monthly written blog to update the global teams on our progress across the organisation.

We have also started holding regular meetings between all sales regions and our engineering and development teams, to better inform decisions about future product requirements and opportunities for cost improvement.

We have two teams looking at the engineering change order (ECO) and order input and quotation processes, based on the feedback we have received.

The response from across the organisation has been positive, with employees appreciating the more open and transparent communication they are seeing and hearing. We are committed to treating our people as intelligent, individual human beings, because their support is vital.

I will continue this combination of in-person and written dialogue as our transformation progresses, keeping employees informed and recognising the important role they are playing.

Sales transformation

Top-line growth is the key to our future success - and especially to the short-term recovery of the business.

We are transforming globally to ensure all teams are using the same tools and approach, breaking down silos and improving collaboration. By being better organised internally, and by working more effectively with our customers, we can deliver more value to the business - generating more orders with greater predictability.

We are investing in our Sales team to accelerate this change, including better training and more regular reviews, and we are demanding disciplined sales performance.

We are also reviewing the global makeup of our team, to ensure we have the right people in the right places - both to capitalise on the opportunities we have identified, and to improve the efficiency of our sales operation. This efficiency will allow us to reinvest in salespeople and sales support.

Operational transformation

Our operations teams are strong and committed to better visibility and control of their business, but we have to provide them with better tools, visibility and support to achieve this goal.

In support of this, I have created the role of Chief Operating Officer - and was delighted that Rizwan Ahmad has agreed to accept the role. Rizwan has already been with Dialight for more than 20 years, running engineering and development. He knows and understands the business well and is a real team player.

Rizwan will be carrying out an in-depth review of the approach, assumptions, and next steps for our operational transformation - including our order-to-cash process - with the goal of making the organisation's operations more efficient, effective and sustainable.

One strong example of where we can make significant improvements is in product simplification - and we are already making real progress here. For example, in one product we have reduced the number of individual SKUs from 70 to just three - a fundamental difference to the manufacturing process that saves time and money while still producing the same result for our customers.

Margin improvement and cash generation

Cost reduction and control is essential if we are to generate the headroom we require in order to accelerate our transformation.

We know that every penny we spend is one we cannot invest somewhere else, so we are being more careful about controlling how and where we spend - giving us the freedom to invest in new salespeople, training, systems and tools. We are also making further process and policy implementations and improvements across the business to have better control of every aspect of our operations.

With quick action, discipline and accountability, I am confident that we can improve Dialight's financial outlook and make a real difference to the business in the medium term, as we seek to maximise our self-help approach and deliver predictable forecasts and performance for the benefit our customers, suppliers, employees, shareholders, and other stakeholders.

Steve Blair

Chief Executive Officer

FINANCIAL REVIEW

Dialight has been through a true reset over the period, with an almost completely new Board and new management in place. We are also resetting and rebuilding our relationships with all our external stakeholders, including our shareholders.

We want better visibility of the company's performance throughout the year, which is one of the key reasons we have changed our year end from December to March - we are putting ourselves in a better position to respond to the seasonality of our industry. This change also means that this report covers a 15-month period.

The fourth quarter of the calendar year (October to December) is always an unpredictable one for our business. However, while previously this marked the end of our reporting period, we are now able to better manage our expectations and provide better forecasting for what will now be our final quarter (January to March) - giving us a clearer view of how we can adjust, reorganise, and bring greater predictability to our operations.

As a Board and a management team, we are committed to providing realistic forecasts for the business - and we will deliver against these forecasts quarter after quarter. You can already see the impact of our hard work in our improved Q5 performance, as Dialight met its revenue forecasts for the first time in 18 months - with group revenues of US \$41.0m in the quarter ending 31 March 2024.

We will also keep our promises to the bank by living within our means, with a manageable facility, and delivering within that. We are tightening up all areas of the business - being more cautious, giving more realistic forecasts, and living up to them.

Another major difference in our reporting this year is the currency change from GBP to USD. While Dialight will continue as a PLC registered and listed in the UK, the majority of our production and sales arise in North America - making it more natural for us to report in the currency that 80% of our revenue is paid in. USD has always been Dialight's dominant currency, and our reporting now reflects that.

We are rebuilding shareholder and market confidence, and gradually getting the business back to a healthy position.

CURRENCY CHANGE

The Group has historically presented its financial results in GBP sterling despite most of the underlying revenues, costs and financing being denominated in US dollars. As a result, large movements in foreign exchange rates resulted in significant translational differences in the reported results. To mitigate this the Group has changed its presentational currency from GBP sterling to US dollars, with prior-year comparatives restated in line. Please refer to note 1(b) for further details of the change in accounting policy.

FINANCIAL PERFORMANCE

Group revenues of US \$226.0m for the 15 months ended 31 March 2024 (2022: US \$209.8m) generated an underlying gross profit of US \$70.1m (2022: US \$67.4m) giving an underlying gross margin of 31.0% 2024 (32.1%). Distribution costs of US \$36.8m and underlying administrative costs of US \$37.9m resulted in an underlying operating loss of US \$4.6m. The total operating loss for the period was US \$30.2m (2022: profit of US \$2.8m) after US \$25.6m (2022: \$3.3m) of non-underlying costs were recognised.

12 month comparison

Group revenues for the 12 months ended 31 December 2023 were \$185.0m, an 11.8% decrease against the prior year. The reduction was seen across both segments, with Signals and Components revenues heavily impacted by the cyclical downturn in Opto-Electronics and the Lighting business continuing to be impacted by capital projects being deferred to later periods. Gross margin for the 12 month period reduced slightly to 31.6% (2022: 32.1%), with improvements in material costs through cost reduction projects and negotiation with suppliers in part offsetting increased labour rates and lower fixed overhead absorption.

We maintained our strong focus on cost control in the year, lowering Selling, General and Administrative (SG&A) costs by \$3.0m.

This combination of lower volumes and gross margins contributed to a significant reduction in Group underlying operating profit from operating activities to US \$0.1m (2022: US \$6.1m).

Lighting before unallocated costs

The Lighting (Lighting & Obstruction) segment represents approximately 76% of the Group's revenue and consists of two main revenue streams: large capex projects; and on-going Maintenance, Repair and Operations (MRO) spend. The 15-month period to March 2024 was weaker than expected for this segment, with customers continuing to exercise tight controls over spending - particularly within capex projects. This has predominantly been due to inflationary pressures, shortages of key skills and economic uncertainty, resulting in projects being delayed.

	15-months ended 31 March 2024	12-months ended 31 December 2022
	US \$m	US \$m
Lighting		
Revenue	171.1	149.6
Underlying gross profit	57.6	50.2
Underlying gross profit margin	33.7%	33.6%
Underlying overheads	(50.8)	(41.7)
Underlying operating profit before unallocated costs	6.8	8.5

Underlying gross margins slightly improved during the period, following the launch of cost-reduction projects and improvements in shipping costs. However, we continued to see pressure from significant component price increases on raw materials purchased or committed to in the previous financial year but that were consumed during the current financial period.

Overhead costs were proportionally lower to the previous year reflecting restructuring of savings, proportionally lower sales commissions and the settlement reached relating to intellectual property (IP) charges.

Signals & Components before unallocated costs

Signals and Components is a high-volume business operating within highly competitive markets. There are three main elements: traffic lights; Opto-Electronic (OE) components; and vehicle lights.

	15-months ended 31 March 2024	12-months ended 31 December 2022
	US \$m	US \$m
Signals & Components		
Revenue	54.9	60.2
Underlying gross profit	12.5	17.2
Underlying gross profit margin	22.8%	28.6%
Underlying overheads	(12.3)	(10.3)
Underlying operating profit before unallocated costs	0.2	6.9

The previously highlighted cyclical downturn in the key OE market resulted in revenue decreasing proportionally with an underlying gross margin of 22.8% - significantly below the 28.6% seen last year - due to lower absorption of fixed production costs and increased labour rates. Overhead costs of US \$12.3m reduced proportionally due to restructuring savings, resulting in an underlying profit of US \$0.2m for the period.

Unallocated costs

Central overheads comprise costs not directly attributable to a segment and are shown separately. In the 15-month period these totalled US \$13.0m, being US \$11.6m of underlying costs with a further US \$1.4m of non-underlying costs. Underlying costs primarily relate to head office costs and professional fees with non-underlying costs relating to the finance transformation project.

Non-underlying costs

	15-months ended 31 March 2024	12-months ended 31 December 2022
	US \$m	US \$m
Non-underlying costs		
Transformation project	4.5	-
Impairment of goodwill (note 8)	11.2	-
Impairment of other intangible assets (excluding business disposal impairment)	4.1	1.6
Litigation cost	2.3	1.7
Business disposal costs	2.5	-

<u>business disposal costs</u>	3.3	-
Total	25.6	3.3

To give a full understanding of the Group's performance and aid comparability between periods, the Group reports certain items as non-underlying to normal trading.

The Group has incurred US \$4.5m of non-underlying costs relating to the transformation plan. This is a significant multi-year change programme for the Group which is designed to address legacy issues associated with excess cost and complexity within the organisation, whilst at the same time focusing more resources on the most attractive growth opportunities within its core industrial LED lighting market. Implementation of the transformation plan is expected to be complete by 31 March 2026. The multi-year transformation plan is a material, infrequent programme and is not considered to be part of the underlying performance of the business. The costs incurred in the 15-month period to 31 March 2024 relate to resetting and realigning the Group's cost base including severance costs, and legal and professional fees. An impairment charge of US \$1.1m for property, plant, and equipment and dilapidation costs of US \$0.4m have been recognised in relation to the planned vacation of the Malaysian facility later in 2024.

A review of goodwill was performed at 31 December 2023 which has resulted in an impairment of goodwill of US \$11.2m being recognised. The basis of the recoverable amount is the value in use using managements latest five-year forecast. The impairment charge is material and non-cash, and has therefore been excluded from underlying results.

In addition a further US \$3.5m of development costs and US \$0.6m of concessions, patents, licences and trademarks costs have been impaired during the period. An impairment review of other intangible assets was performed as at 31 March 2024 following the preparation of revised 5 year cashflow forecasts which showed reduced growth. The basis of the recoverable amount is the value in use using the revised 5-year forecast.

During the 15-month period to March 2024 costs of US \$1.9m have been expensed (2022: US \$1.2m) relating to a legal claim with Sanmina, a manufacturing partner. Please refer to note 19 for further details of this claim. Other litigation costs of US \$0.4m for the 15-month period to 31 March 2024 (2022: US \$0.5m) relate to a contractual litigation case relating to the use of intellectual property which was concluded in 2023.

Business disposal costs relate to the post year end disposal of the Traffic business. These costs relate to a US \$0.5m impairment of development costs for projects that will no longer be pursued and US \$3.0m of specific inventory that will no longer be sold which has been recognised within costs of goods sold.

Inventory

Inventory levels of US \$49.1m decreased by US \$15.7m from December 2022, driven by large reductions in holdings of raw materials and finished goods - and a smaller decrease in the levels of sub-assemblies.

	31 March 2024	31 December 2022
	US \$m	US \$m
Raw materials	18.8	27.5
Sub-assemblies	13.4	14.4
Finished goods	16.7	22.7
Spare parts	0.2	0.2
Total	49.1	64.8

Following the global commodity shortage and increased shipping times, Dialight - in common with many companies - took the decision to hold higher levels of raw material in order to safeguard production and fulfil customer orders. As macro-economic conditions have eased over the past 15 months, Dialight has been able to reduce this holding - using the raw materials on hand and maximising usage of previously manufactured finished goods.

Improved inventory management has resulted in an improved ageing profile of goods held, with the aged inventory provision reducing from US \$5.0m at December 2022 to US \$3.6m at March 2024. At March 2024 an additional provision of US \$3.0m was recognised in relation to specific inventory relating to the traffic business that is not expected to be sold, resulting in a total inventory provision of US \$6.6m.

Cash and borrowings

The Group ended March 2024 with net debt of US \$16.4m, a decrease of US \$9.0m from December 2022's US \$25.4m. The overall level of borrowing remained consistent at US \$27.9m at 31 March 2024, compared with US \$27.4m at 31 December 2022. Net debt excludes liabilities related to the adoption of IFRS 16 leases, which are excluded for covenant testing purposes. The roll-forward of net debt was as follows:

Net Debt	US \$m	US \$m
Opening balance 01 January 2023		(25.4)
Inflows		
Operating cash flows before movements in working capital	3.0	
Equity raise	12.0	
Movements in inventory	15.7	30.7
Outflows		
Movements in working capital excluding inventory	(5.4)	
Capital expenditure including intangible assets	(6.8)	
Interest and tax paid	(6.7)	
Repayment of lease liabilities	(2.9)	
Repurchase of own shares	(0.1)	(21.9)
Foreign exchange movements		0.2
Closing balance at 31 March 2024		(16.4)

The main factors behind the movement in net debt were:

- The equity raise, which generated net proceeds of US \$12.0m after transaction costs of US \$0.9m;
- Reduction of US \$15.7m in inventory, with significantly lower levels of raw materials and finished goods held;
- A US \$10.9m reduction in trade payables following payment for materials purchased towards the end of 2022, supporting purchase-price negotiations with key suppliers; and
- Continued investment into new product development, plus maintenance capex on factory equipment and IT - albeit at a reduced level in light of the transformation plan.

Gross bank debt of US \$27.9m was offset by cash in hand of US \$11.5m - see note 13 for further details on bank borrowings. The interest expense of US \$4.1m is analysed in note 4.

Banking and covenants

The Group's funding includes a revolving credit facility (RCF) of US \$34.0 million from HSBC which was extended on 14 June 2024 to 21 July 2026 on the same terms as the original agreement. Aligned with the Group's robust commitment to environmental, social, and governance (ESG) principles, the RCF facility operates as a sustainability-linked loan.

The RCF facility is subject to quarterly covenants encompassing maximum leverage and minimum interest cover. The covenants for the quarter ending 30 September 2023 were temporarily reset from a leverage ratio maximum target of less than 3x to 4.5x, and an interest cover minimum target of a maximum 4x to 2.5x. The covenants reverted to the original hurdles from quarter ending 31 December 2023 onwards.

A retrospective review of covenant calculations for the 15-month period to 31 March 2024 was performed by management as part of the year-end audit after certain matters came to the attention of the Board. This retrospective review identified that breaches of the covenants had and/or may have had occurred when also retrospectively applying finalised year-end accounting adjustments. These waiver requests were communicated to HSBC who have agreed to issue retrospective covenant waivers for the relevant quarters. The waivers are subject to legal finalisation at the date of this report. Given the covenants were and/or may potentially have been breached before and at 31 March 2024, when also retrospectively applying finalised year-end accounting adjustments, and no waiver was in place at that date, the outstanding borrowings under the RCF of US \$27.9m have been classified as a current liability.

Please refer to note 1(c) for details of how this has been considered as part of the going concern assessment.

As agreed, the Group has repaid the £10 million Covid-19 Large Business Interruption Loan (CLBIL), with the final £2 million repaid in the first half of 2023.

Tax

Based on a loss before tax of US \$34.3m for the 15-month period, the Group had an effective tax rate of 5.2% (2022: 16.7%) resulting in a tax credit of US \$1.8m (2022: charge of US \$0.1m).

In the period the Group made a net cash tax payment of US \$2.6m.

Pension costs

The Group has two defined benefit schemes that are closed to new entrants. The aggregate surplus on both schemes is US \$5.4m, a small decrease of US \$0.1m from 31 December 2022. The income statement expense of US \$0.1m is made up of US \$0.4m of current service costs expense offset by US \$0.3m of interest income. Actuarial losses of US \$0.5m recognised in other comprehensive income, were offset by cash contributions of US \$0.3m and an FX gain of US \$0.2m. The cash cost of the scheme in the period to 31 March 2024 of US \$0.3m (2022: US \$0.5m) was agreed with the trustees following the 2019 valuation. The latest valuations were completed as at April 2022, with future cash contributions agreed at the current levels.

Capital management and dividend

The Board's policy is to have a strong capital base to maintain customer, investor, and creditor confidence and to sustain future development of the business. The Board considers consolidated total equity as capital, which at 31 March 2024 equated to US \$63.9m (December 2022: US \$83.0m).

The Board is not declaring a dividend payment for the period ending March 2024 (2022: nil).

The Group has a clear capital allocation discipline and is committed to returning excess funds to shareholders via future dividend or share repurchase.

Post balance sheet events

The Group's multicurrency revolving credit facility of \$34.0m with HSBC was extended on 14 June 2024 to 21 July 2026 on the same terms as the original revolving credit facility agreement.

On 29 July 2024 the Group announced that it has entered into an agreement for the sale of its business manufacturing signal lights used in traffic, pedestrian and railroad management in North America (the Traffic Business) to Leotek Electronics USA LLC and realising gross cash proceeds of US \$5.8m. After transaction and other costs, net cash proceeds are US \$5.5m which will be used to reduce group indebtedness. The Business had previously been identified as non-core.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the 15-month period ended 31 March 2024

	15-months ended 31 March 2024 (audited)	12-months ended 31 December 2022 (audited)
Note	US \$'m	US \$'m

Revenue	2	226.0	209.8
Cost of sales		(158.9)	(142.4)
Gross profit		67.1	67.4
Distribution costs		(36.8)	(31.5)
Administrative expenses		(60.5)	(33.1)
(Loss)/Profit from operating activities		(30.2)	2.8
Underlying (loss)/profit from operating activities	2	(4.6)	6.1
Non-underlying items	3	(25.6)	(3.3)
(Loss)/Profit from operating activities		(30.2)	2.8
Financial expense	4	(4.1)	(2.2)
(Loss)/Profit before tax		(34.3)	0.6
Taxation	5	1.8	(0.1)
(Loss)/Profit for the period		(32.5)	0.5
(Loss)/Profit for the period attributable to:			
Equity owners of the Company		(32.5)	0.5
Non-controlling Interests		-	-
(Loss)/Profit for the period		(32.5)	0.5
(Loss)/Profit per share			
Basic	6	(91.1) cents	1.5 cents
Diluted	6	(91.1) cents	1.5 cents

The accompanying notes are extracted from the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 March 2024

	15-months ended 31 March 2024 (audited) US \$'m	12-months ended 31 December 2022 (audited) US \$'m
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	0.4	0.3
Income tax on exchange difference on translation of foreign operations	-	-
	0.4	0.3
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit pension liability	(0.5)	0.4
Income tax on remeasurement of defined benefit pension liability	0.1	(0.1)
	(0.4)	0.3
Other comprehensive income for the period, net of tax	-	0.6
(Loss)/Profit for the period	(32.5)	0.5
Total comprehensive income for the period	(32.5)	1.1
Attributable to:		
- Owners of the parent	(32.5)	1.1
- Non-controlling interests	-	-
Total comprehensive income for the period	(32.5)	1.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2024 (audited) and the year ended 31 December 2022 (audited)

	Share capital reserve US \$'m	Merger reserve US \$'m	Translation reserve US \$'m	Capital redemption reserve US \$'m	Share premium US \$'m	Own Shares US \$'m	Retained earnings US \$'m	Total US \$'m	Non- controlling interests US \$'m	Total equity US \$'m
Balance at 1 January 2023	1.0	1.0	12.2	4.3	1.2	(1.1)	64.2	82.8	0.2	83.0
Loss for the period	-	-	-	-	-	-	(32.5)	(32.5)	-	(32.5)
Other comprehensive income:										
Foreign exchange translation differences, net of taxes	-	-	0.4	-	-	-	-	0.4	-	0.4
Remeasurement of defined benefit pension liability, net of taxes	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Total other comprehensive income	-	-	0.4	-	-	-	(0.4)	-	-	-
Total comprehensive income for the period	-	-	0.4	-	-	-	(32.9)	(32.5)	-	(32.5)
Transactions with owners, recorded directly in equity:										
Issue of share capital	0.2	-	-	-	12.7	-	-	12.9	-	12.9
Transaction costs	-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Share-based payments	-	-	-	-	-	-	1.5	1.5	-	1.5
Re-purchase of own shares	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)

Total transactions with owners	0.2	-	-	-	11.8	(0.1)	1.5	13.4		13.4
Balance at 31 March 2024	1.2	1.0	12.6	4.3	13.0	(1.2)	32.8	63.7	0.2	63.9
	Share capital reserve	Merger reserve	Translation reserve	Capital redemption reserve	Share premium	Own shares	Retained earnings	Total	Non-controlling interests	Total equity
	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m
Balance at 1 January 2022	1.0	1.0	11.9	4.3	-	(1.0)	63.4	80.6	0.8	81.4
Profit for the year	-	-	-	-	-	-	0.5	0.5	-	0.5
Other comprehensive income:										
Foreign exchange translation differences, net of taxes	-	-	0.3	-	-	-	-	0.3	-	0.3
Remeasurement of defined benefit pension liability, net of taxes	-	-	-	-	-	-	0.3	0.3	-	0.3
Total other comprehensive income	-	-	0.3	-	-	-	0.3	0.6	-	0.6
Total comprehensive income for the year	-	-	0.3	-	-	-	0.8	1.1	-	1.1
Transactions with owners, recorded directly in equity:										
Share-based payments	-	-	-	-	-	-	0.6	0.6	-	0.6
Re-purchase of own shares	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Minority interest purchase	-	-	-	-	1.2	-	(0.6)	0.6	(0.6)	-
Total transactions with owners	-	-	-	-	1.2	(0.1)	-	1.1	(0.6)	0.5
Balance at 31 December 2022	1.0	1.0	12.2	4.3	1.2	(1.1)	64.2	82.8	0.2	83.0

CONSOLIDATED STATEMENT OF TOTAL FINANCIAL POSITION
at 31 March 2024

	Notes	31 March 2024 (audited) US \$'m	31 December 2022 (audited) US \$'m	31 December 2021 (audited) US \$'m
Assets				
Property, plant and equipment	7	12.7	16.8	16.2
Right of use assets		8.8	12.7	15.3
Intangible assets	8	8.1	25.9	28.9
Deferred tax assets		5.8	2.8	1.8
Employee benefits		5.4	5.5	5.2
Other receivables		5.9	6.8	6.4
Total non-current assets		46.7	70.5	73.8
Inventories	10	49.1	64.8	57.4
Trade and other receivables		32.3	36.6	35.4
Income tax recoverable		0.8	0.8	1.6
Cash and cash equivalents	12	11.5	2.0	1.6
Total current assets		93.7	104.2	96.0
Total assets		140.4	174.7	169.8
Liabilities				
Trade and other payables		(34.3)	(45.2)	(44.4)
Provisions	9	(1.2)	(0.7)	(0.8)
Current tax liabilities		(1.4)	(2.8)	(2.4)
Lease liabilities		(2.0)	(1.5)	(1.7)
Borrowings	13	(27.9)	(2.4)	(5.4)
Total current liabilities		(66.8)	(52.6)	(54.7)
Provisions	9	(1.6)	(1.9)	(1.7)
Borrowings	13	-	(25.0)	(17.4)
Lease liabilities		(8.1)	(12.2)	(14.6)
Total non-current liabilities		(9.7)	(39.1)	(33.7)
Total liabilities		(76.5)	(91.7)	(88.4)
Net assets		63.9	83.0	81.4
Equity				
Issued share capital	14	1.2	1.0	1.0
Merger reserve		1.0	1.0	1.0
Share premium	15	13.0	1.2	-
Other reserves		15.7	15.4	15.2
Retained earnings		32.8	64.2	63.4
		63.7	82.8	80.6
Non-controlling interests		0.2	0.2	0.8
Total equity		63.9	83.0	81.4

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 March 2024

		31 March 2024 (audited)	31 December 2022 (audited)
	Notes	US \$'m	US \$'m
Operating activities			
(Loss)/profit for the period		(32.5)	0.5
Adjustments for:			
Financial expense	4	4.1	2.2
Income tax (income)/expense	5	(1.8)	0.1
Share-based payments		1.5	0.6
Depreciation of property, plant and equipment	7	4.3	3.6
Impairment losses on property, plant and equipment	7	1.1	-
Gain on lease modification		(0.2)	-
Depreciation of right of use assets		3.0	2.2
Amortisation of intangible assets	8	7.7	5.3
Impairment losses on intangible assets	8	15.8	1.6
Operating cash flow before movements in working capital		3.0	16.1
Decrease/(Increase) in inventories		15.7	(8.3)
Decrease/(Increase) in trade and other receivables		5.2	(1.4)
(Decrease)/(Increase) in trade and other payables		(10.9)	1.6
Increase in provisions	9	0.2	0.4
Pension contributions less than/(more than) income statement charge		0.1	(0.5)
Cash generated by operations		13.3	7.9
Income taxes paid		(2.6)	(1.0)
Interest paid ²	4	(4.1)	(2.2)
Net cash generated by operations		6.6	4.7
Investing activities			
Purchase of property, plant and equipment	7	(1.4)	(4.2)
Purchase of intangible assets	8	(5.4)	(4.6)
Purchase of Dialight Australia shares		-	(0.1)
Net cash used in investing activities		(6.8)	(8.9)
Financing activities			
Proceeds on issue of shares - net of issue costs	14	12.0	-
Drawdown of bank facility	13	6.2	18.6
Repayment of bank facility	13	(5.9)	(13.0)
Arrangement fee for revised facility		-	(0.6)
Re-purchase of own shares		(0.1)	(0.1)
Repayment of lease liabilities ¹		(2.9)	(2.0)
Net cash inflow from financing activities		9.3	2.9
Net increase/(decrease) in cash and cash equivalents		9.1	(1.3)
Cash and cash equivalents at beginning of the period	12	2.0	1.6
Effect of exchange rates		0.4	1.7
Cash and cash equivalents at end of the period	12	11.5	2.0

The Group has classified:

1. cash payments for the principal portion of lease payments as financing activities.

2. cash payments for the interest portion of lease payments as operating activities consistent with the presentation of interest payments chosen by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 March 2024 (audited)

1. Basis of preparation and principal accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The Company has elected to present its parent company financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The financial information set out in this document does not constitute the Group's statutory accounts for the 15-month period ended 31 March 2024 or the 12-month period ended 31 December 2022 but is derived from those accounts. Statutory accounts for the 12-month period ended 31 December 2022 have been delivered to the registrar of companies. The auditors have reported on those accounts; their reports were (a) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the 15-month period ended 31 March 2024 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Auditor's report on these accounts did contain an emphasis of matter in relation to the fact that a material uncertainty existed that may cast doubt on the Group's ability to continue as a going concern.

As set out in Note 1(c) the directors have identified a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern, meaning it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this material uncertainty, the Directors consider it remains appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

The financial statements for the 15-month period ended 31 March 2024 (including the comparatives for the 12-month

period ended 31 December 2022) were approved and authorised for issue by the Board of Directors on 29 July 2024. This results announcement for the 15-month period ended 31 March 2024 was also approved by the Board on 29 July 2024.

Whilst the financial information included in this statement has been compiled in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards, this statement does not itself contain sufficient information to comply with UK-adopted International Accounting Standards. Full Financial Statements that comply with IFRS are included in the 2024 Annual Report.

(b) Changes in significant accounting policies

The Group has changed its reporting currency from GBP sterling to US dollars to provide greater transparency in the Group's performance for investors and other stakeholders and to reduce exchange rate volatility in reported figures.

In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, this change in presentational currency was applied retrospectively and accordingly, prior year comparatives have been restated. Financial information included in the consolidated financial statements for years ended 31 December 2022 and 31 December 2021 has been restated in US dollars as follows:

- assets and liabilities in non-US denominated currencies were translated into US dollars at the rate of exchange ruling at the relevant balance sheet date;
- non-US dollar income statements and cash flows were translated into US dollars at average rates of exchange for the relevant period;
- share capital, share premium and all other equity items were translated at the historical rates.

The exchange rates used were as follows:

	12-months ended 31 December 2022		12-months ended 31 December 2021	
	Average rate	At balance sheet date	Average rate	At balance sheet date
Pound sterling	0.8086	0.8271	0.7271	0.7402
Euro	0.9510	0.9338	0.8457	0.8815
Canadian dollar	1.3015	1.3541	1.2535	1.2697
Mexican peso	20.1025	19.4663	20.2748	20.4560

(c) Consolidated basis of preparation

Going concern

Net debt has decreased from US \$25.4m to US \$16.4m following the equity raise in the second half of 2023 which generated net proceeds of US \$12.0m after transaction costs of US \$0.9m. At 31 March 2024 the Group had US \$34.0m in facilities of which US \$27.9m was drawn with US \$11.5m of cash on hand.

The Group's multicurrency revolving credit facility of US \$34.0m with HSBC was extended on 14 June 2024 to 21 July 2026 on the same terms as the original revolving credit facility agreement. The covenants are tested quarterly and are as follows:

Ratio	Calculation	Threshold
Leverage ratio	Net debt : proforma unaudited EBITDA	<3.0x
Interest cover	Proforma unaudited EBITDA : interest expense	>4.0x

The covenants for the quarter ending 30 September 2023 were temporarily reset from a leverage ratio maximum target of less than 3x to 4.5x, and an interest cover minimum target of a maximum 4x to 2.5x. The covenants reverted to the original hurdles from quarter ending 31 December 2023 onwards.

A retrospective review of covenant calculations for the 15-month period to 31 March 2024 was performed by management as part of the year-end audit after certain matters came to the attention of the Board. This retrospective review identified that breaches of the covenants had and/or may have had occurred when also retrospectively applying finalised year-end accounting adjustments. These waiver requests were communicated to HSBC who have agreed to issue retrospective covenant waivers for the relevant quarters. The waivers are subject to legal finalisation at the date of this report. Given the covenants were and/or may potentially have been breached before and at 31 March 2024, when also retrospectively applying finalised year-end accounting adjustments, and no waiver was in place at that date, the outstanding borrowings under the RCF of US \$27.9m have been classified as a current liability.

Further details, including the relevant covenant tests, are included in note 13.

In assessing the going concern assumptions, the Directors have prepared four main scenarios being the base case, a downside case in relation to revenue and margin, a downside case in relation to revenue and margin including an adverse Sanmina outcome and a reverse stress test (break-even assessment) over the going concern period which the Directors have assessed as being a two-year period to 31 March 2026. Various upside scenarios also exist but those result in very positive outcomes and have not been included here given the focus of the Directors, and its auditors, is on the risk to the going concern basis of preparation to the financial statements. Nonetheless, the Directors consider these upside scenarios as realistic outcomes and continue to drive the group's performance and other activities to seek to achieve those positive results.

The downside scenarios reflect the risk of lower-than expected organic revenue growth in core Lighting markets, lower gross margins than forecast due to lower revenue forecasts and cost savings not being realised to the full extent forecasted. In the downside scenario including an adverse Sanmina outcome, an estimated worst-case outflow of US \$7.9m has been identified, consistent with the risk assessment detailed in note 13.

has been modelled, consistent with the disclosures provided in note 19.

Base case

The base case is derived from the most recent Board approved 2024 budget, which assumes that revenues and margin will improve over the going concern period due to the Group's transformational project undertaken by management. The base case is based on organic sales growth and the annualization of the efficiency and material cost reduction projects launched in the financial year. In this scenario, the Directors consider that the Group will continue to operate within its available committed facilities of US \$34.0m with sufficient headroom with covenant compliance throughout the forecast period.

The market conditions faced by the Group in the 15 months to 31 March 2024 are considered to be short-term in nature, with signs that trading conditions will improve into 2024 and will see the benefits from price increases and lower raw material costs coming through. These improvements, together with the actions that management is taking in relation to right-sizing its cost base and reducing product costs, are expected to deliver improving profitability over 2024 and beyond.

The key assumptions in the base case include:

- continued net revenue growth in both years driven by a combination of factors including increasing benefits from strategic relationships, price increases and increased source & sell product range sales resulting in net revenue growth of 6.7% in FY25 and 1.9% in FY26;
- continued net revenue growth in Lighting due to our focus on markets with growing demand and where growth is driven by structural, safety and sustainability factors at a higher level than seen in 2024;
- a small recovery from the cyclical downturn in the opto-electronic segment;
- gross margins normalise as component price premiums reduce and supply becomes more readily available, freight costs normalise, and the benefits from cost reduction and automation programmes are delivered resulting in a gross profit margin improvement of 4% in FY25 and a further 2% in FY26 respectively; and
- operating costs are flexed in line with the incremental revenue and increasing operational leverage.

Downside case - lower revenue and margin

The Directors have assumed:

- reduction of expected net revenue growth to 4.9% and -2.8% in FY25 and FY26 respectively across Lighting, Opto-electronics and Vehicle; and
- lower gross profit margin than base case through risk factor applied to estimated operational efficiencies with a 4% improvement in FY25 and no improvement in FY26.

Downside case - lower revenue, margin and an adverse Sanmina outcome

The Directors have assumed:

- reduction of expected net revenue growth to 4.9% and -2.8% in FY25 and FY26 respectively across Lighting, Opto-electronics and Vehicle;
- lower gross profit margin than base case through risk factor applied to estimated operational efficiencies with a 4% improvement in FY25 and no improvement in FY26; and
- estimated Sanmina outflow of \$7.9m in Q2 FY25.

Reverse stress test (break-even assessment)

The Directors have assumed:

- reduction of expected net revenue growth to 1.1% and -8.1% in FY25 and FY26 respectively across Lighting, Opto-electronics and Vehicle; and
- lower gross profit margin than base case through risk factor applied to estimated operational efficiencies with an improvement of 3% in FY25 and no improvement in FY26.

In all these scenarios, the Group has a series of controllable mitigating actions that can be taken swiftly (a number of which have already been enacted), including various temporary and permanent cost and cash saving measures.

In the base case scenario and in the downside scenario (lower revenue and margin), the Group have sufficient liquidity and are not forecast to breach any covenants in the going concern period. In the downside case (lower revenue, margin and an adverse Sanmina outcome), the current Group liquidity becomes insufficient in Q2 FY25 following a forecast payment to settle the adverse outcome. In the reverse stress test, the interest cover ratio is forecast to breach in Q3 FY25 with further breaches of both the leverage ratio and interest cover in Q1 FY26 onwards. In this case, the Group are forecast to have insufficient liquidity in Q4 FY26.

Whilst the Directors believe the Group will be able to deliver on its transformation plan, generate forecast organic sales growth and realise cost reductions within the next 12 months, the Directors recognise that the transformation plan is in its early stages and as such, a reliable history of its effectiveness is not yet available. In the reverse stress test, whilst revenues are forecast to decrease from FY24 to FY26, total gross profit is forecast to increase by 3% between FY24 to FY26. As a result, the Group are required to increase total gross profit in excess of this in order to avoid breaching covenants. The directors have therefore concluded that there is a plausible risk of covenant breach and insufficient liquidity within the reverse stress test scenario.

Further, the legal claim against the Company by Sanmina, which is outlined in note 19 represents a possible adverse outcome outside of the Group's control which could result in a material cash outflow. In this scenario, the Group would have insufficient liquidity in the going concern period in management's downside case, without taking mitigating actions or securing additional funding.

In addition, whilst HSBC have agreed to issue a retrospective covenant waiver for the relevant quarters as set out above, the waivers are subject to legal finalisation at the date of this report.

These circumstances give rise to a material uncertainty, which may cast significant doubt on the entity's ability to continue as a going concern, meaning it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this material uncertainty, the Directors consider it remains appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

(d) Use of estimates, judgements and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The areas which require the most use of management estimation and judgement are set out below.

Significant judgements

Termination of outsourced manufacturing agreement

Significant judgement is applied in determining whether to recognise a provision or a contingent liability in respect of the claims from the Group's former manufacturing partner Sanmina. In the view of management, it is not probable that the Group will have to make a payment, therefore no provision is required and the matter is disclosed as a contingent liability in note 19, which contains further details on the matter.

Development and patent costs

The Group capitalises development costs and patent costs provided they meet all criteria in the respective accounting policy. Costs are only capitalised when management applies judgement that is satisfied as to the ultimate commercial viability of the projects based on review of the relevant business case. The capitalised costs are amortised over the expected useful economic life, which is determined based on the reasonable commercial prospects of the product and a comparison to similar products being sold by the Group.

The Group has US \$7.4m (2022: US \$13.9m) of development and patent costs that relate to the current product portfolio and new products expected to launch over the next one to two years. Following the decision to dispose of the Traffic business US \$0.5m of development costs have been written off. An impairment review of the total balance was performed resulting in a further US \$3.5m of development costs and US \$0.6m of concessions, patents, licences and trademarks costs being impaired during the period. The total impairment of US \$4.6m has been recorded in the income statement as a non-recurring expense (note 3).

All of the development projects are within the Lighting CGU and are tested for impairment at the CGU level as part of the goodwill testing. However, management also performs a review of each individual project to see if there are any indications of specific impairment by comparing the carrying amount of the asset with the net present value derived from the Board approved strategic plan.

Inventory reserve - disposal of traffic business

Following the decision by management to dispose of the traffic business a judgement has been made to fully provide for all related inventory given the inventory remains property of the Group at the date of completion and there is no obligation by the acquirer to purchase any such inventory subsequent to completion. While under the sales and purchases agreement the acquirer will have the right to acquire all or part of the related inventory, at the date of the approval of these financial statements the intention of the acquirer is not known. The provision totals \$3.0m as at 31 March 2024. This has been recognised within costs of goods sold and is disclosed as a non-underlying item within note 3.

Estimates

Inventory reserve

The total value of the inventory provision for all categories of inventory over which judgement has been exercised was \$6.6m (2022: \$5.0m) and this represents 11.8% (2022: 7.2%) of the gross inventory value.

Details of the inventory reserve are set out in note 10.

Inventory reserve - Raw materials and sub-assemblies

All raw and sub-assembly inventory that is over 24-months old at the balance sheet date is provided for. This basis for estimate reduces estimation subjectivity, whilst allowing for the adverse impact from component shortages that have led to high inventory levels and some components being held for longer than expected. Two years has been assessed to be appropriate as the components have a long shelf life, continue to be used in production and the product demand mix between project and MRO business continues to be skewed as a result of COVID-19.

Management believes that any reasonably possible change in the assumption would not cause any significant change in the provision estimate for raw materials and sub-assemblies in the next financial year.

The value of the inventory provision for raw materials and sub-assemblies as at 31 March 2024 was US \$5.9m (2022: US \$4.3m).

Inventory reserve - finished goods

The review of finished goods inventory was based on all inventory over 365 days old. Inventory on hand was compared to historical sales, current orders, sales pipeline and whether the product had been recently launched.

Management judgement was then applied to determine whether there was a reasonable probability that the inventory

management judgement was then applied to determine whether there was a reasonable probability that the inventory would be sold, with a provision being required for any inventory that failed this assessment.

Management believes that any reasonably possible change in the assumption would not cause any significant change in the provision estimate for finished goods.

The value of the inventory provision for finished goods as at 31 March 2024 was US \$0.7m (2022: US \$0.7m).

Inventory - absorbed overhead costs

The valuation of inventory, detailed in note 10, requires the use of estimates in the amount of costs to be absorbed into inventory valuation. There are two elements of cost over which estimates are applied.

Firstly, in relation to the amount of production overheads that are included in the inventory valuation. The pools of cost related to production comprise labour and direct overheads attributable to the production process. They are assessed to ensure that costs not related to production are excluded. Consistent with prior year, the Group uses the weighted average inventory turns calculated by comparing the level of inventory on hand with the amount of production by month. This gives the number of days of overhead that should be absorbed in inventory (2024: 76 days 2022: 68 days). The value of directly attributable costs over which judgement was exercised was US \$7.6m (2022: US \$8.5m) and this represents 15% (2022: 13%) of the inventory value. For every day that the estimate of the days used for the overheads absorbed changes, it changes the calculation by US \$97k.

Secondly, in relation to the amount of freight costs that are included in the inventory valuation. The costs represent transportation costs for raw materials and the labour cost of the buyers placing the orders. The cost is absorbed into inventory by comparing the level of inventory on hand with the amount of material costs in the cost of sales. This gives the number of days of freight costs that are capitalised (2024: 187 days, 2022: 151 days). Costs of transporting finished goods to distribution centres on a global basis are included in the inventory valuation until the associated finished goods have been sold outside the Group. The value of freight costs over which judgement was exercised was US \$2.8m (2022: US \$5.0m) and this represents 6% (2022: 8%) of the inventory value. For every day that the estimate of the days used for the overhead absorbed changes, it changes the calculation by US \$17k.

Management believes that any reasonably possible change in the assumptions would not cause any significant change in the amount of costs absorbed into inventory.

Goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of the Group's CGU's have been determined based on value in use calculations, which involve a high level of estimation due to the uncertainty caused by the geopolitical situation and potential material shortages due to delays in the supply chain.

A review for impairment was performed at 31 December 2023 which has resulted in the goodwill balance of US \$11.2m being fully impaired. In undertaking the assessment, the potential net impact of climate change on the forecasts has been considered.

Considering the Group's business model, strategy and exposure, the opportunities overcome the risk and the majority of the risk relates to the ability to cope with accelerated product demand and has been reflected in our forecast.

(e) Adoption of new and revised standard/interpretations and amendments

The following accounting standards, interpretations, improvements and amendments have become applicable for the current period and although the Group has adopted them, they have had no material impact on the Group. These comprise:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the period ended 31 March 2024:

- Non-current Liabilities with Covenants and classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7); and
- Lack of Exchangeability (Amendments to IAS 21).

The adoption of these amendments is not expected to have a material impact on the Group.

2. Operating segments

The Group has two reportable operating segments. These segments have been identified based on the internal information that is supplied regularly to the Group's chief operating decision maker for the purposes of assessing performance and allocating resources. The chief operating decision maker is considered to be the Group Chief Executive Officer.

The two reportable operating segments are:

- Lighting, which develops, manufactures and supplies highly efficient LED lighting solutions for hazardous and

industrial applications in which lighting performance is critical and includes anti-collision obstruction lighting; and

- Signals & Components, which develops, manufactures and supplies status indication components for electronics OEMs, together with niche industrial and automotive electronic components and highly efficient LED signaling solutions for the traffic and signals markets.

There is no inter-segment revenue and there are no individual customers that represent more than 10% of revenue. Segmental assets and liabilities are not reported internally and are therefore not presented below.

All revenue relates to the sale of goods. Segment gross profit is revenue less the costs of materials, labour, production and freight that are directly attributable to a segment. Overheads comprise operations management, selling costs plus corporate costs, which includes share based payments.

Reportable segments

15 months ended 31 March 2024 (audited)	Lighting	Signals and Components		Unallocated	Total
		US \$'m	US \$'m		
Revenue	171.1	54.9	-	-	226.0
Underlying gross profit	57.6	12.5	-	-	70.1
Underlying overhead costs	(50.8)	(12.3)	(11.6)	-	(74.7)
Underlying profit/(loss) from operating activities	6.8	0.2	(11.6)	-	(4.6)
Non-underlying items (note 3)	(20.6)	(3.6)	(1.4)	-	(25.6)
Loss from operating activities	(13.8)	(3.4)	(13.0)	-	(30.2)
Financial expense	-	-	(4.1)	-	(4.1)
Loss before tax	(13.8)	(3.4)	(17.1)	-	(34.3)
Taxation	-	-	1.8	-	1.8
Loss after tax	(13.8)	(3.4)	(15.3)	-	(32.5)

12 months ended 31 December 2022 (audited)	Lighting	Signals and Components		Unallocated	Total
		US \$'m	US \$'m		
Revenue	149.6	60.2	-	-	209.8
Gross profit	50.2	17.2	-	-	67.4
Overhead costs	(41.7)	(10.3)	(9.3)	-	(61.3)
Underlying profit/(loss) from operating activities	8.5	6.9	(9.3)	-	6.1
Non-underlying items (note 3)	(3.3)	-	-	-	(3.3)
Profit/(loss) from operating activities	5.2	6.9	(9.3)	-	2.8
Financial expense	-	-	(2.2)	-	(2.2)
Profit before tax	5.2	6.9	(11.5)	-	0.6
Taxation	-	-	(0.1)	-	(0.1)
Profit after tax	5.2	6.9	(11.6)	-	0.5

Other segmental data

	15 months ended 31 March 2024 (audited)			12 months ended 31 December 2022 (audited)		
	Lighting	Signal & components	Total	Lighting	Signals & components	Total
	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m	US \$'m
Depreciation of property, plant and equipment	3.3	1.0	4.3	2.6	1.0	3.6
Depreciation of right of use assets	2.3	0.7	3.0	1.6	0.6	2.2
Amortisation of intangible assets	7.7	-	7.7	5.4	-	5.4
Impairment of property, plant and equipment	1.1	-	1.1	-	-	-
	11.2	-	11.2	-	-	-
Impairment of goodwill	-	-	23.0	-	-	-
Impairment of intangible assets	4.1	0.5	4.6	1.6	-	1.6

Geographical segments

The Lighting and Signals & Components segments are managed on a worldwide basis, but operate in three principal geographic areas, North America, EMEA and Rest of World. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. All revenue relates to the sale of goods.

Sales revenue by geographical market

	15-months ended 31 March 2024 (audited)	12-months ended 31 December 2022 (audited)
	US \$'m	US \$'m
North America	183.7	164.1
EMEA	18.3	17.9
Rest of World	24.0	27.8
Total sales revenue	226.0	209.8

3. Non-underlying items

The Group incurs cost and earns income that is non-recurring in nature or that, in the Director's judgement, need to be separately disclosed for users of the consolidated financial statements to obtain a full understanding of the financial information and the best indication of the underlying performance of the Group.

The table below presents the components of non-underlying items recognised in the income statement. All costs are recognised within administrative expenses unless otherwise stated.

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Transformation project	4.5	-
Impairment of goodwill (note 8)	11.2	-
Impairment of other intangible assets (excluding business disposal impairment) (note 8)	4.1	1.6
Litigation costs	2.3	1.7
Business disposal costs	3.5	-
Non-underlying items recorded in administrative expenses	25.6	3.3

The Group has incurred US \$4.5m of non-underlying costs relating to the transformation plan. This is a significant multi-year change programme for the Group which is designed to address legacy issues associated with excess cost and complexity within the organisation, whilst at the same time focusing more resources on the most attractive growth opportunities within its core industrial LED lighting market. Implementation of the transformation plan is expected to be complete by 31 March 2026. The multi-year transformation plan is a material, infrequent programme and is not considered to be part of the underlying performance of the business. The costs incurred in the 15-month period to 31 March 2024 relate to resetting and realigning the Group's cost base including severance costs, and legal and professional fees. An impairment charge of US \$1.1m for property, plant, and equipment (note 7) and dilapidation costs of US \$0.4m (note 9) have been recognised in relation to the planned vacation of the Malaysian facility later in 2024.

Please refer to note 8 for details of the impairment of goodwill and other intangible assets.

During the 15-month period to March 2024 costs of US \$1.9m have been expensed (2022: US \$1.2m) relating to a legal claim with Sanmina, a manufacturing partner. Please refer to note 19 for further details of this claim. Other litigation costs of US \$0.4m for the 15-month period to 31 March 2024 (2022: US \$0.5m) relate to a contractual litigation case relating to the use of intellectual property which was concluded in 2023.

Business disposal costs relate to the post year end disposal of the Traffic business. These costs relate to a US \$0.5m impairment of development costs for projects that will no longer be pursued and US \$3.0m of specific inventory that will no longer be sold which has been recognised within costs of goods sold.

4. Financial expense

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Net interest income on defined benefit liability	(0.3)	(0.1)
Interest expense on financial liabilities, excluding lease liabilities	3.3	1.6
Facility arrangement fee expense	0.4	-
Interest expense on lease liabilities	0.7	0.7
Net financing expense recognised in the consolidated income statement	4.1	2.2

5. Taxation

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Current tax expense		
Current period	1.2	2.5
Adjustment for prior years	(0.1)	(0.2)
Total current tax expense	1.1	2.3
Deferred tax expense		
Origination and reversal of temporary differences	(4.0)	(2.3)
Adjustment for prior years	0.7	0.1
Adjustment for prior years	0.4	-
Total deferred tax credit	(2.9)	(2.2)
Total tax (credit)/expense	(1.8)	0.1

Reconciliation of effective tax rate

	15-months ended 31 March 2024 %	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 %	12-months ended 31 December 2022 US \$'m (audited)
(Loss)/profit for the period after tax		(32.5)		0.5
Total tax charge		1.8		0.1
(Loss)/profit for the period before tax		(34.3)		0.6
Income tax using the UK corporation tax rate of 23.8% (2022: 19.0%)	23.8	(8.2)	19.0	0.1
Effect of higher taxes on overseas earnings	(1.5)	0.5	16.7	0.1
Change in tax laws and rates	(1.2)	0.4	-	-
Expenses not deductible for tax purposes	(8.5)	2.9	16.7	0.1
Current year losses for which no deferred tax is recognised	(2.9)	1.0	16.7	0.1
Adjustment for prior years	(1.5)	0.5	(16.7)	(0.1)
Research and development credits	0.3	(0.1)	(16.7)	(0.1)
Foreign taxes incurred	(3.5)	1.2	(16.7)	(0.1)
	5.2	(1.8)	16.7	0.1

The effective tax rate for the period is 5.2% compared with 16.7% in the prior year and the standard rate of 23.8% (2022: 19.0%) in the UK. During the period, the Group made a loss before tax of US \$34.3m (2022: profit of US \$0.6m) which resulted in a tax credit in the period of US \$1.8m (2022: tax charge of US \$0.1m).

The normalised tax rate for the Group in the period is 23.8% (tax rate before adjustments) and based on a pre-tax loss of US \$34.3m this would generate a tax credit of US \$8.2m. The Group's overall tax rate was 5.2% which is significantly lower than the normalised tax rate as a result of the following major adjustments:

- Non-deductible current year expenses of US \$2.9m arising predominantly on foreign exchange movements relating to the Group's goodwill and expenses incurred in the UK.
- Unrecognised losses in the European Lighting business resulting in US \$1.0m of tax credits not being recognised in the period.
- Mexican taxes of US \$1.0m.

Tax (credit)/charge recognised directly in equity

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Employee benefits	(0.1)	0.1

Current tax

Current tax is calculated with reference to the profit or loss of the Company and its subsidiaries in their respective countries of operation. Set out below are details in respect of the significant jurisdictions where the Group operates and the factors that influenced the current and deferred taxation in those jurisdictions.

UK

The UK companies are subject to a corporate tax rate of 23.8% (2022: 19.0%).

Group

The majority of the Group's profits arise in the US where the corporation tax rate is 24%, including 21% federal tax and 3% state tax (2022: 24%, including 21% federal tax and 3% state tax).

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share ("EPS") at 31 March 2024 was based on a loss for the period of US \$32.5m (2022: US \$0.5m profit) and the weighted average number of ordinary shares outstanding during the year of 35,603,515 (2022: 32,574,668).

Weighted average number of ordinary shares

	15 months ended 31 March 2024 '000 (audited)	12 months ended 31 December 2022 '000 (audited)
Weighted average number of ordinary shares	35,604	32,575
	15 months ended 31 March 2024 (audited)	12 months ended 31 December 2022 (audited)
Basic (loss)/earnings per share	(91.1) cents	1.5 cents

Diluted earnings per share

The calculation of diluted earnings per share ("EPS") at 31 March 2024 was based on a loss for the period of US \$32.5m (2022: US \$0.5m profit) and the weighted average number of ordinary shares outstanding during the year of 35,603,515 (2022: 33,231,301).

Where a loss has been recognised the same number of shares are used in both the basic and diluted loss per share calculation so there is no dilutive effect when the Group is in a loss-making position.

Weighted average number of ordinary shares

	15 months ended 31 March 2024 '000 (audited)	12 months ended 31 December 2022 '000 (audited)
Weighted average number of ordinary shares	35,604	33,231
Basic earnings per share	(91.1) cents	1.5 cents

7. Property, plant and equipment

	Land and buildings US \$'m	Plant, equipment and vehicles US \$'m	Total US \$'m
Net book value at 1 January 2023	-	16.8	16.8
Additions	-	1.4	1.4
Transfers	1.0	(1.0)	-
Depreciation expense	(0.2)	(4.1)	(4.3)
Impairment	-	(1.1)	(1.1)
Effects of foreign exchange movements	0.4	(0.5)	(0.1)
Net book value at 31 March 2024	1.2	11.5	12.7

During the period a review of property, plant, and equipment was performed where it was identified that certain assets relating to the Malaysian facility are no longer in use following the planned vacation of the existing Malaysian site. As a result, an impairment loss has been recognised within non-underlying items (note 3) given it relates to the transformation plan.

8. Intangible assets

	Patents, licenses, and trademarks US \$'m	Goodwill US \$'m	Software licenses US \$'m	Development costs US \$'m	Total US \$'m
Net book value at 1 January 2023	2.4	11.1	0.9	11.5	25.9
Additions	1.2	-	0.3	3.9	5.4
Amortisation charge	(1.2)	-	(0.5)	(6.0)	(7.7)
Impairment	(0.6)	(11.2)	-	(4.0)	(15.8)
Effects of foreign exchange movements	(0.2)	0.1	-	0.4	0.3
Net book value at 31 March 2024	1.6	-	0.7	5.8	8.1

Goodwill impairment

The Group has two CGUs, Lighting and Signals & Components, which are the smallest identifiable independent groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where assets and costs are shared between the two CGUs a reasonable apportionment of these is made for the purpose of the impairment calculation. The goodwill balance has been fully allocated to the Lighting CGU.

As a result of under performance of the Lighting CGU a review for impairment was performed at 31 December 2023 which has resulted in an impairment of goodwill of US \$11.2m being recognised. The underperformance can be attributed to lower than forecast sales. The recoverable amount of the Lighting segment based on value in use was calculated as US \$66.7m. The impairment charge is material, non-cash, and non-operational related items and has therefore been excluded from underlying results (note 3).

The basis of the recoverable amount is the value in use using was management's latest 5-year forecast as at 31 December 2023. This forecast reflects the growth opportunities inherent in the business in the medium term, including the revenues and gross margin stemming from the implementation of the transformation plan. The long-term growth rate for the valuation into perpetuity has been determined as the average of Consumer Price Index (CPI) rates for the countries in which the CGU operates, predicted for the next five years.

The pre-tax discount rate is based on the Group's weighted average cost of capital, which reflects current market assessments of a number of factors that impact on the time value of money and any risk specific to the Group. The discount rate has increased due to the company specific risk increasing following the announcement of the transformation plan. The rate includes management's assessment of a normal level of debt-to-equity ratio within similar companies in the Group's sector. The costs of the ultimate holding company (stewardship costs) have been allocated to each CGU as they provide necessary support to the CGUs to generate cash inflows. These costs have been allocated on the same allocation basis as the administration costs.

The key assumptions used in the value in use calculation are set out below:

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Discount rate - pre tax	19.0%	17.9%
Terminal growth rate	2.0%	2.3%
Revenue 5-year growth rate range for lighting segment	10%	12-13%
Gross margin 5-year improvement	6.4%	6.8%

Stewardship allocation cost

80%

80%

Other intangible asset impairment

Development costs relating to the traffic business (Signals & Components) of US \$0.5m have been fully impaired as they relate to projects that will no longer be pursued.

In addition a further US \$3.0m of development costs and US \$0.6m of concessions, patents, licences and trademarks costs relating to the Lighting segment have been impaired during the period. An impairment review of other intangible assets was performed as at 31 March 2024 following the preparation of revised 5 year cashflow forecasts which showed reduced growth. The basis of the recoverable amount is the value in use using the revised 5-year forecast. A 1% increase in the discount rate increases the impairment charge by US \$60k. The value in use of the Lighting CGU is disclosed above in the goodwill section.

9. Provisions

	Warranty and claims US \$'m	Lease- restoration US \$'m	Total US \$'m
Balance at 1 January 2023 (audited)	2.4	0.2	2.6
Provisions made during the period	0.2	0.4	0.6
Provisions used during the period	(0.4)	-	(0.4)
Effects of foreign exchange movement	-	-	-
Balance at 31 March 2024 (audited)	2.2	0.6	2.8

The warranty provision relates to sales made over the past nine years. The warranty provision has been estimated based on historical warranty data with similar products. The Group expects to settle the majority of the liability over the next two to three years. The table below provides a breakdown of the provisions into their short-term and long-term portions:

	31 March 2024 US \$'m (audited)	31 December 2022 US \$'m (audited)
Due within one year	1.2	0.7
Due within one and five years	1.3	1.5
Due after five years	0.3	0.4
	2.8	2.6

10. Inventories

	31 March 2024 US \$'m (audited)	31 December 2022 US \$'m (audited)
Raw materials and consumables	18.8	27.5
Sub-assemblies	13.4	14.4
Finished goods	16.7	22.7
	48.9	64.6
Spare parts	0.2	0.2
	49.1	64.8

Inventories to the value of US \$90.8m (2022: US \$97.7m) were recognised as expenses in the period.

The inventory reserve at the balance sheet date was US \$6.6m, which represents 11.8% of gross inventory (2022: US \$5.0m representing 7.2% of gross inventory). Additional reserves of US \$4.4m were booked in the period with an increase of US \$0.1m due to foreign exchange movements, being offset by utilisation of US \$2.9m, resulting in a net increase in the reserve of US \$1.6m. As at 31 March 2024, management's best estimate of the amount of inventory that will not be used within the next 12 months is c. US \$8.1m (2022: US \$5.8m).

In 2022 the Group revised its basis for estimate to calculating the inventory reserve to provide for raw and sub-assembly inventory that is over 24-months old at the balance sheet date. The new basis for estimate reduces estimation subjectivity whilst allowing for the adverse impact from component shortages that have led to high inventory levels and some components being held for longer than expected. Two years is felt to be appropriate as the components have a long shelf life, continue to be used in production and the product demand mix between project and MRO business has been skewed during COVID-19.

The review of finished goods inventory was based on all inventory over 365 days old. Inventory on hand was compared to historical sales, current orders, sales pipeline and whether the product had been recently launched. Management judgement was then applied to determine whether there was a reasonable probability that the inventory would be sold, with a provision being required for any inventory that failed this assessment.

11. Dividends

There were no dividends declared or paid in the 15-month period ended 31 March 2024 or 12-month period ended 31 December 2022.

12. Cash and cash equivalents

	31 March 2024 US \$'m (audited)	31 December 2021 US \$'m (audited)
Cash and cash equivalents	11.5	2.0

13. Borrowings

The Group's funding includes a revolving credit facility (RCF) of US \$34.0 million from HSBC which was extended on 14 June 2024 to 21 July 2026 on the same terms as the original agreement. Aligned with the Group's robust commitment to environmental, social, and governance (ESG) principles, the RCF facility operates as a sustainability-linked loan.

The RCF facility is subject to quarterly covenants encompassing maximum leverage and minimum interest cover. The covenants for the quarter ending 30 September 2023 were temporarily reset from a leverage ratio maximum target of less than 3x to 4.5x, and an interest cover minimum target of a maximum 4x to 2.5x. The covenants reverted to the original hurdles from quarter ending 31 December 2023 onwards.

A retrospective review of covenant calculations for the 15-month period to 31 March 2024 was performed by management as part of the year-end audit after certain matters came to the attention of the Board. This retrospective review identified that breaches of the covenants had and/or may have had occurred when also retrospectively applying finalised year-end accounting adjustments. These waiver requests were communicated to HSBC who have agreed to issue retrospective covenant waivers for the relevant quarters. The waivers are subject to legal finalisation at the date of this report. Given the covenants were and/or may potentially have been breached before and at 31 March 2024, when also retrospectively applying finalised year-end accounting adjustments, and no waiver was in place at that date, the outstanding borrowings under the RCF of US \$27.9m have been classified as a current liability.

Please refer to note 1(c) for details of how this has been considered as part of the going concern assessment.

As agreed, the Group has repaid the £10 million Covid-19 Large Business Interruption Loan (CLBIL), with the final £2 million repaid in the first half of 2023.

	Loans US \$'m
At 1 January 2022 (audited)	22.8
Facility drawdown (RCF - USD)	18.1
Facility repayment (RCF - USD)	(8.0)
Facility drawdown (RCF - GBP)	0.5
Facility repayment (RCF - GBP)	-
Facility repayment (CBILS)	(5.0)
Foreign exchange movements	(1.0)
At 31 December 2022 (audited)	27.4
Facility drawdown (RCF - USD)	5.8
Facility repayment (RCF - USD)	(1.0)
Facility drawdown (RCF - GBP)	0.4
Facility repayment (RCF - GBP)	(2.4)
Facility repayment (CBILS)	(2.5)
Foreign exchange movements	0.2
At 31 March 2024 (audited)	27.9

Details of the facilities	Tenure Years	Interest rate per annum*	Maturity date	Amount drawn as at 31 March 2024 (audited)	Amount drawn as at 31 December 2021 (audited)
				US \$'m	US \$'m
\$34m revolving credit facility	3	8.31%*	July 2026	27.9	25.0
£8m CLBILS	3	6.50%**	June 2023***	-	1.9
£2m commercial loan	3	7.02%**	June 2023***	-	0.5

* Indicative rate as at March 2024

** Indicative rate as at June 2023

*** Loans were repaid in equal instalments over three years from January 2021

Covenant test		Every quarter
Ratio	Calculation	Threshold
Leverage ratio	Net debt/Adjusted EBITDA	<3.0x
Interest cover	Adjusted EBITDA/Interest expense	>4.0x
Debt service ratio*	Net operating income/Total debt service	>1.2x

* The debt service cover ratio does not apply to the revolving credit facility and has been waived from June 2022 to the end of the loan.

14. Share capital

	31 March 2024 Number (audited)	31 March 2024 US \$'m (audited)	31 December 2022 Number (audited)	31 December 2022 US \$'m (audited)
Authorised:				
Ordinary shares of 1.89p each	39,828,141	1.2	32,946,371	1.0

issued and fully paid:

At beginning of the period	32,946,371	1.0	32,610,025	1.0
Issued during the period	6,881,770	0.2	336,346	-
Own shares acquired in the period	-	-	-	-
At end of the period	39,828,141	1.2	32,946,371	1.0

On 5 April 2023 a total of 246,513 new ordinary shares of 1.89 pence each in the capital of the Company were issued.

On 31 October 2023 a total of 6,635,257 new ordinary shares of 1.89 pence each in the capital of the Company have been allotted to raise gross proceeds of approximately US \$12.9 million. Share issue costs of US \$0.9m have been netted off against the share premium arising on the new share issue (see note 15).

15. Share premium

	31 March 2024 US \$'m (audited)	31 December 2022 US \$'m (audited)
At beginning of the period	1.2	-
Minority interest purchase	-	1.2
Issued during the year	12.7	-
Share issues costs	(0.9)	-
At end of the period	13.0	1.2

16. Principal exchange rates

	15-months ending 31 March 2024 Average rate	31 March 2024 At balance sheet date	12-months ending 31 December 2022 Average rate	31 December 2022 At balance sheet date
Pound sterling	0.8010	0.7925	0.8086	0.8271
Euro	0.9240	0.9264	0.9510	0.9338
Canadian dollar	1.3491	1.3540	1.3015	1.3541
Mexican peso	17.5790	16.5558	20.1025	19.4663

17. Related party transactions

The ultimate parent company of the Group is Dialight plc.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

18. Reconciliation to non-GAAP performance measures

Certain financial information set out in this statement is not defined under International Financial Reporting Standards ("IFRS"). These key Alternative Performance Measures ("APMs") represent additional measures in assessing performance and for reporting both internally and to shareholders and other external users. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides readers with a more meaningful understanding of the underlying financial and operating performance of the Group.

None of these APMs should be considered as an alternative to financial measures drawn up in accordance with IFRS.

12-month comparatives

	15-months ended 31 March 2024 US \$'m (audited)	12-months ended 31 December 2022 US \$'m (audited)
Revenue - 12-month period from January to December	185.0	209.8
Revenue - 3-month period from January 2024 to March 2024	41.0	-
Revenue	226.0	209.8
Gross profit - 12-month period from January to December	58.4	67.4
Gross profit - 3-month period from January 2024 to March 2024	8.7	-
Gross profit	67.1	67.4
Underlying gross profit - 12-month period from January to December	58.4	67.4
Underlying gross profit - 3-month period from January 2024 to March 2024	11.7	-
Underlying gross profit	70.1	67.4
(Loss)/Profit from operating activities - 12-month period from January to December	(14.7)	2.8
(Loss) from operating activities - 3-month period from January 2024 to March 2024	(15.5)	-
(Loss)/Profit from operating activities	(30.2)	2.8
Underlying profit from operating activities - 12-month period from January to December	0.1	6.1
Underlying (loss)/profit from operating activities - 3-month period from January 2024 to March 2024	(4.7)	-
Underlying (loss)/profit from operating activities	(4.6)	6.1

Non-underlying items - 12-month period from January to December	(14.8)	(3.3)
Non-underlying items - 3-month period from January 2024 to March 2024	(10.8)	-
Non-underlying items	(25.6)	(3.3)

Other non-GAAP performance measures

Gross profit	67.1	67.4
Non-underlying items	3.0	-
Underlying gross profit	70.1	67.4
(Loss)/Profit from operating activities	(30.2)	2.8
Non-underlying items (see note 3)	25.6	3.3
Underlying (loss)/profit from operating activities	(4.6)	6.1
(Loss)/profit from operating activities	(30.2)	2.8
Non-underlying items (see note 3)	25.6	3.3
Depreciation of property, plant and equipment	4.3	3.6
Amortisation of intangible assets	7.7	5.4
Underlying EBITDA	7.4	15.1
(Loss)/profit from operating activities	(30.2)	2.8
Non-underlying items (see note 3)	25.6	3.3
Depreciation of property, plant and equipment	4.3	3.6
Amortisation of intangible assets	7.7	5.4
Share based payments	1.5	0.6
Net movement on working capital (Inventories, trade and other receivables, trade and other payables) as per Consolidated statement of cash flows	10.0	(8.1)
Underlying operating cash flow	18.9	7.6

Underlying profit from operating activities and underlying EBIT referred to in the earlier sections of the Annual Report are the same measures. Underlying operating cash flow and adjusted operating cash flow are the same measures.

Net debt

Net debt is defined as total Group borrowings (excluding lease liabilities recognised under IFRS 16) less cash. Net debt of \$16.4m at the period end (2022: \$25.4m) consisted of borrowings of \$27.9m (2022: \$27.4m) less cash of \$11.5m (2022: \$2.0m).

19. Contingencies

Sanmina litigation

As previously reported, Dialight sought to reach a negotiated conclusion of various outstanding matters and performance issues following the termination, in 2018, of the manufacturing services agreement (MSA) with its former manufacturing partner, Sanmina Corporation ("Sanmina"). The failure to reach a satisfactory resolution of these issues led to both parties issuing formal legal proceedings against the other on 20 December 2019 in the US District Court for the Southern District of New York. The basis of the claim filed by Sanmina relates to outstanding invoices and to residual inventory which they allege that they purchased for Dialight. The claim filed by Dialight is more complex in nature and relates to significant counterclaims, and costs and losses suffered by Dialight. Dialight has sought external legal advice and is paying for the legal costs as incurred. As at 31 March 2024, Dialight has not made any provision for future legal costs.

The claim filed by Dialight that Dialight is now pursuing, alleges that Dialight suffered significant costs and losses (with total potential damages of approximately US \$92.8m) as a result of: (a) Sanmina's fraudulent inducement of Dialight to enter into the MSA; (b) Sanmina breaching the terms of the MSA and engaging in willful misconduct while doing so. If Sanmina's claim is successful, the range of outcomes could include the payment by Dialight to Sanmina of between US \$0 and US \$8.3m (plus legal costs and standard judicial / contractual interest at the rate of 1% per month from the date of the alleged breach), but inclusive of Dialight 'escrow' monies held by Sanmina). If Dialight's claims are successful, the range of outcomes could include the payment by Sanmina to Dialight of between US \$0 and c. US \$92.8m (excluding legal costs and judicial / contractual interest). The fraudulent misrepresentation element of the damages could attract judicial interest of 9% per annum backdated to the date of signing of the MSA in March 2016. The upper amount recoverable by Dialight was reduced from c. \$220m (excluding legal costs and interest) to c. \$159.6m (inclusive of interest but excluding legal costs) as a result of decisions by the court on pre-trial motions that excluded evidence relating to loss of market capitalisation but allowed Dialight's remaining arguments and evidence relating to loss of profit damages.

Sanmina lodged a motion for summary judgement to dismiss certain elements of Dialight's claims and counter-claims. The Court's ruling on Sanmina's dismissal motion (with pleadings first filed on 2 May 2022) was released to the parties under seal on Tuesday 14 March 2023. The court denied Sanmina's motion to dismiss Dialight's fraudulent inducement claim and denied its motion for summary judgement on Sanmina's accounts receivable claim.

Sanmina subsequently filed a motion of reconsideration seeking the reversal of the judge's denial of summary adjudication of Sanmina's US \$5.3m accounts receivable claim. The Court's ruling on Sanmina's motion for reconsideration was released under seal on 28 November 2023 and stated that: (a) it was granting the motion for reconsideration solely to the extent that the Court's prior opinion could be construed as finding that certain evidence established as a matter of law that Dialight timely rejected invoices comprising Sanmina's accounts receivable claim; (b) otherwise Sanmina's motion for reconsideration was denied; and (c) affirmed its prior opinion denying Sanmina's motion for summary judgement on its

accounts receivable claim.

Dialight's fraudulent inducement and willful misconduct in the breach of contract claims, together with Sanmina's claims relating to excess and obsolete inventory and accounts receivable, and Dialight's defences to these claims, will now proceed to trial, and Dialight will continue to rigorously pursue its claims. A trial date was originally set for 15 July 2024 and anticipated to last for 10 days. As announced on 23 July 2024, that trial was declared a mis-trial (as a result of the excusing of 2 jurors for medical-related reasons) and re-scheduled for 9 September 2024.

Open court documents, including the ruling and pleadings in respect of the motion for summary judgement, can be accessed on the Public Access to Court Electronic Records (PACER) public access system for the U.S. District Court for the Southern District of New York (<https://ecf.nysd.uscourts.gov>) and at Dialight's corporate website at www.dialight.com/ir/shareholder-information/sanmina-litigation/. An overview of the key facts in the case by found at www.dialight.com/ir/shareholder-information/sanmina-litigation/sanmina-litigation-faqs/.

Defined benefit pension schemes

During 2011, the Roxboro UK Pension Fund (the "Scheme") was closed to future accrual. This Scheme is included within pension assets. As part of the negotiations regarding closure, the Company agreed to grant a parent company guarantee in respect of all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of Dialight Europe Limited, the principal employer, to make payments in the Scheme up to a maximum amount equal to the entire aggregate liability, on

the date on which any liability under the guarantee arises, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date. No provision has been made in relation to this contingency.

Uncertainties under income tax treatment

The Group operates in certain jurisdictions that are unstable or have changing political conditions, giving rise to occasional uncertainty over the tax treatment of items of income and expense. In addition, from time-to-time certain tax positions taken by the Group are challenged by the relevant tax authorities, which carry a financial risk as to the final outcome. The Directors have considered the potential impact arising from these uncertainties and risks on the Group's tax assets and liabilities, both recognised and unrecognised, and believe that they are not material to the Financial Statements.

20. Post balance sheet events

The Group's multicurrency revolving credit facility of \$34.0m with HSBC was extended on 14 June 2024 to 21 July 2026 on the same terms as the original revolving credit facility agreement.

On 29 July 2024 the Group announced that it has entered into an agreement for the sale of its business manufacturing signal lights used in traffic, pedestrian and railroad management in North America (the Traffic Business) to Leotek Electronics USA LLC and realising gross cash proceeds of US \$5.8m. After transaction and other costs, net cash proceeds are US \$5.5m which will be used to reduce group indebtedness. The Business had previously been identified as non-core.

21. Principal and emerging risks and uncertainties

The Board has conducted a robust assessment of the Company's principal and emerging risks. The risks outlined in this section are the principal risks that we have identified as material to the Group. They represent a "point-in-time" assessment, as the environment in which the Group operates is constantly changing and new risks may always arise.

Risks are considered in terms of probability and impact and are based on residual risk rating of: high, medium and low. Mapping risks in this way helps not only to prioritise the risks and required actions but also to direct the required resource to maintain the effectiveness of controls already in place and mitigate further where required.

The risks outlined in this section are not set out in any order of priority, and do not include all risks associated with the Group's activities.

Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business.

- **Intellectual property** - Intellectual property infringement risk - by Dialight or against Dialight. Security of protectable intellectual property.
- **Growth (Current offering, customer requirements and markets)** - Risk of stagnation of addressable market of current product portfolio, product portfolio management efficiency, and execution risk on current sales/route to market. Understanding customer requirements regarding product function and price. Risk from failure to recognise emerging markets and focus concentrated on North America.
- **Environmental and geological** - The Group's main manufacturing centre is in Mexico and its main market is North America. Any impediment to raw materials getting into Mexico or restrictions on finished goods entering North America related to natural disasters could have a large impact on profitability. Disruption to global markets and transport systems and/or workforce arising from geological, biological, economic and/or political events may impact the Group's ability to operate and the demand for its products.
- **Funding** - The Group has a net debt position and there is a risk related to liquidity. The Group has not paid a dividend since 2015. Capital and debt funding servicing and adequacy, also having regard to compliance with our banking covenants. A retrospective review of covenant calculations for the 15-month period to 31 March 2024 was performed by management as part of the year-end audit after certain matters came to the attention of the Board. This

retrospective review identified that breaches of the covenants had and/or may have had occurred when also retrospectively applying finalised year-end accounting adjustments. These waiver requests were communicated to HSBC who have agreed to issue retrospective covenant waivers for the relevant quarters. The waivers are subject to legal finalisation at the date of this report.

- **Cyber and data integrity** - Disruption to business systems would have an adverse impact on the Group if our systems suffered cyber-attacks (including ransomware, phishing, DDOS attack). The Group also needs to ensure the protection and integrity of its data. There can be additional risk if internal data management processes are not mapped and improved. With the Group's dispersed international footprint, increasing automation there is greater risk of impact on IT infrastructure/communications between employees.
- **Talent and diversity** - Group performance is dependent on attracting and retaining high-quality staff across all functions. Risk in the labour market hardening in all markets (especially Mexican wage inflation risk) and age profile of key staff increasing.
- **Geo-political and macro-economic impacts** - There is risk attaching to macroeconomic performance in North America. Risk of macro-economic shocks (including inflation) has increased globally, and geopolitical risk has increased across Europe and Asia.
- **Product risk** - Risk relating to commercial obligations (including warranty), legal, product recall and reputational risks arising from under-performance or non-performance of product against contracted specification and/or product malfunction.
- **Product development strategy** - Inability to translate market requirements into profitable products. Failure to deliver technologically advanced products and to react to disruptive technologies. Emerging pressure to innovate ESG-friendly and less carbon dense products.
- **Production capacity and supply chain** - The Group operates a complex international supply chain (both inbound and outbound) which can be impacted by a range of risk factors including political disruption, border frictions, logistics challenges and other compliance issues. Supply chain challenges can in turn impact production capacity and efficiency - as well as other factors including investment in capacity, labour-supply issues and costs of production.

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

These will continue to be evaluated, monitored, and managed through the remainder of 2024 and beyond.

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