26 February 2018

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

Full year results 2017

Dialight plc (LSE: DIA.L), the global leader in sustainable LED lighting for industrial applications, announces its final results for the year ended 31 December 2017.

	2017	2016
	£m	£m
Revenue	**181.0**	182.2
Underlying[1] operating profit	**9.7**	13.1
Underlying[1] profit before tax	**9.4**	12.6
Underlying basic EPS	**17.9p**	26.9p
Statutory profit/(loss) from operating activities	**3.3**	(3.3)
Statutory profit/(loss) before tax	**3.0**	(3.8)
Statutory EPS	**4.8p**	(8.4)p
Net cash	**12.8**	8.0

Key points

- Production issues impacted 2017 financial performance
- Actions underway to resolve the production issues
- Revenues broadly flat (4% below at constant currency[2])
- Lighting order intake[3] 4% down at constant currency
- Net cash of £12.8m (2016: £8.0m)
- Major upgrade launched to High Bay and Area Light products

Marty Rapp, Group Chief Executive, said:

"2017 was a disappointing year, in which operational issues hampered our ability to deliver orders to our customers. We are taking corrective action and in the near term are wholly focused on the manufacturing challenges which will continue to impact our results in H1. As a consequence our results for 2018 will be heavily weighted to H2 reflecting the successful resolution of these issues.

Our market proposition remains compelling with the sustainability benefits of reduced energy usage, lower carbon emissions, reduced maintenance and improved safety offering real value to our customers. We remain excited by the Group's prospects over the medium to long term and are confident of delivering future growth."

Results presentation:

A presentation to analysts and investors will be held today at 09.00 GMT at The City Centre, 80 Basinghall Street, London, EC2V 5AG, United Kingdom. The presentation and an audiocast will be made available on the company's website, www.dialight.com.

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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, Denmark, Germany, Malaysia, Singapore, Australia, Mexico and Brazil. www.dialight.com.

Notes:

1. Defined as excluding non-underlying items of £6.4m (2016: £16.4m)
2. Constant currency impact is calculated by re-translating the prior year numbers at the exchange rate prevailing in the current year.
3. Order intake is the value of orders received in a given period.
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.

OVERVIEW

In 2015, we outlined a plan to rebuild our operations to enable scalable and cost efficient production. This plan included transitioning to outsourced manufacturing, streamlining our product portfolio and moving to common product platforms. Whilst much has been achieved, problems in execution of our outsource manufacturing transfer resulted in a poor year for reported financial results. Our results were adversely affected by reduced production output from our manufacturing partner principally as a result of procurement planning issues and delays in the new product launches of High Bay and Area Light.

I have been on board as the full time Group Chief Executive since the 8 January 2018. I have visited each of our Lighting manufacturing locations and have spent time at our manufacturing partner site in Guadalajara, Mexico. The whole business is very focused on resolving the issues we have and ensuring the Group has a robust and scalable manufacturing platform.

At the current time we have a significant level of order backlog. As our delivery performance improves we expect this to reduce. We are taking aggressive action to address these operational issues. We are confident these will be significantly improved by the end of H1 2018 and we will start to see the benefits in the second half of the year. We have the right products and a market with good growth prospects; it is incumbent on us to better serve our customers in order to maximise the opportunities open to us as a Group.

Operations

The product requirements for the market we serve result in a low volume/high mix product portfolio. In addition, given the variety of our customers and applications and the difficulty in accurately predicting future demand to the part number level, our forecasts of required raw materials change significantly over time. In order to address this issue we platform engineered all of our product lines to reduce the sku count and thereby simplify the forecasting process. The concept of platform engineering and building to a sub assembly level was, with the benefit of hindsight, not fully recognised by our manufacturing partner.

The biggest issue affecting production continues to be having materials available when required. The majority of the issue has been related to materials not being ordered in time and/or sufficient quantities. This was compounded by industry wide material shortages of some of our critical components, which we estimate to be the cause of about 15% of our late order performance.

A further issue stemming from platform engineering concept relates directly to the manufacturing process itself. Our manufacturing partner operates in a small batch-size environment, resulting in a more job-shop approach rather than a large scale manufacturing process and as a consequence has lost productivity due to frequent changeovers. There are nuances in scheduling lines to maximise throughput and minimise changeovers that come with experience. Our joint challenge is to increase the speed of learning.

The issues that we face came to the forefront in Q4 2017 as our two largest product lines transferred to our manufacturing partner. With the benefit of hindsight, we placed an over reliance on their ability to ramp up in our busiest quarter of the year and under estimated the difficulties of the transition.

We have taken two key steps in order to address these short term challenges. First, we have significantly increased the level of support we are providing at the plant level to our manufacturing partner. We now have a group of our most experienced supply chain and production management employees nearly full time on-site until we have sustainable performance at acceptable levels. Their mission is to review every raw material line item, side by side with our manufacturing partner employees, and take immediate action to relieve the shortages. They will also review the production planning schedule to help ensure that the lines are scheduled as efficiently as possible and that we are using raw materials to the maximum advantage.

The second key step is the removal of complexity from our manufacturing partner by transferring the more complex product types back to our Ensenada, Mexico facility, where we have retained assembly capabilities. We feel this will significantly help the overall production throughput at our manufacturing partner.

Our complete focus is on ensuring we get delivery times back to normal with a manufacturing process that is stable and efficient. We need to make our overall fulfilment process more robust by multi-sourcing key components to reduce the impact of shortages from a single supplier. This is one of the keys to building a robust operational platform.

It is important as we navigate through these operational challenges that we measure our recovery. The key lighting performance indicators we will focus on are order growth, gross margin and on time delivery.

Business fundamentals

Despite the short term challenges we must not forget that Dialight remains well positioned in a growing market. We remain the market leader in terms of our technology and continue to have a strong balance sheet and remain cash positive.

Customers convert to LED lighting and buy Dialight's products because it remains the most efficient way to drive down energy usage. We are delivering the next generation of lighting solutions that not only reduce energy consumption further but 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 rapid return on investment.

We also recognise the opportunity to drive corporate-wide LED conversion programmes. The majority of Dialight's targeted strategic customers have a public commitment to sustainability, including carbon footprint reduction and energy saving programmes. Driving awareness of the economic benefits as well as the sustainability and safety benefits of our lighting at the corporate level can change the perception of our lighting away from just maintenance cost savings.

In addition, Dialight products are being built with upgradeable and integrated controls. Our customers can optimise their lighting solution through direct lighting controls. The value for customers is that they will be able to take advantage of their built-in network of intelligent lighting to provide access to a wide array of sensors and applications in safety and productivity.

We launched major upgrades to our High Bay and Area Light product lines. Controls enablement is a significant feature of the High Bay upgrade. This allows customers to use them as data harvesting points that can relay information to the facility control system for added safety and security. These products also provide customers with greater energy efficiency and global certifications.

Growth requires the right products, the preferred distribution channels, and experienced sales teams. Dialight has built its strongest capabilities in the U.S. providing a model that can be scaled around the world. Europe represents an advanced customer base and significant opportunity, yet has been under served by Dialight. Our new product road map will include the breadth of product features and certification requirements needed in Europe. With strong sales teams and a number of newly signed distributor partners, Dialight is well positioned to begin to seize the European opportunity.

Dialight's Australian team has proven to be very successful in driving growth and building capabilities in the region. Extending that leadership with strong local support into South East Asia represents a significant opportunity for growth.

The industrial LED opportunity remains largely untapped as the conservative customer base has sought low-risk, proven solutions. Dialight's 10 years of experience has earned a predominant position and we have an installed product base of over one million products. With the aim of improving our quality of earnings we have demonstrated our ability to sell across industrial sectors and reduce our reliance on oil and gas markets. This initiative has continued despite the operational challenges that we have faced.

Dialight will use its ability to deploy new technology to drive a shift in spending and accelerate adoption of LED technology in industrial customers. Our market proposition is compelling, with the sustainability benefits of reduced energy usage, lower carbon emissions, reduced maintenance and improved safety offering real value to our customers.

Outlook

2017 was a disappointing year, in which operational issues hampered our ability to deliver orders to our customers. We are taking corrective action and in the near term are wholly focused on the manufacturing challenges which will continue to impact our results in H1. As a consequence our results for 2018 will be heavily weighted to H2 reflecting the successful resolution of these issues.

Our market proposition remains compelling with the sustainability benefits of reduced energy usage, lower carbon emissions, reduced maintenance and improved safety offering real value to our customers. We remain excited by the Group's prospects over the medium to long term and are confident of delivering future growth.

FINANCIAL REVIEW

We have had a challenging year in the execution of our three-year strategy to build a robust and scalable operational platform for future growth. In 2017, we expected to complete the move to our manufacturing partner by mid-year. However, the platform engineering of our products was not completed on time and this delayed the launch of our two largest product families by six months.

The ability of our manufacturing partner to ramp up production was slower than they anticipated. At the same time, we also experienced extended lead times on critical components leading to severe production delays which had a major impact on our results. Despite the challenges that we faced, Group revenue was on a par with 2016 at £181.0m (2016: £182.2m) and on a constant currency basis was 4% lower than 2016. The resilience in revenue was counteracted by additional costs of production due to the delays, resulting in a 130 basis points reduction in gross margin. Operating costs were flat year on year, resulting in an underlying operating profit of £9.7m, a reduction of £3.4m compared to 2016.

The key drivers for the reduction in the underlying operating profit are as follows:

- (£0.4m) gross margin impact of the revenue reduction;
- (£2.4m) due to additional freight charges due to expediting late orders;
- (£1.6m) due to ongoing investment in sales;

offset by £1.0m due to operational savings.

Currency impact

Dialight reports its results in Sterling. Our major trading currency is the US Dollar, which in 2017 comprised 81% of the Group's revenue. The Group has both translational and transactional currency exposure. Translational exposures arise on the consolidation of overseas results into Sterling and this is the major currency exposure. Transactional exposure is where the currency of sales or purchases differ from the local functional currency. We use natural hedging on revenue and purchases to mitigate the majority of the currency risk.

The US Dollar strengthened by 5% compared to the prior year and was the main driver for the currency impact. The average rate for the US Dollar against Sterling has moved from 1.36 in 2016 to 1.29 in 2017. Based on the current mix of currencies, a 1% movement in the US dollar relative to Sterling changes revenue by £1.5m and EBIT by £0.2m.

Lighting segment

Lighting	2017 £m	2016 £m	Variance
Revenue	**137.5**	136.6	+1%
Gross profit	**54.3**	57.4	(5%)
Gross profit %	**40%**	42%	-200bps
Overheads	**(43.1)**	(43.9)	(2%)
Underlying EBIT	**11.2**	13.5	(17%)

The Lighting segment represented 76% of the Group's revenue and 74% of the Group's underlying segmental operating profit. Revenues were 1% higher (4% lower at constant currency) compared with the prior year. The production delays adversely impacted the level of on time delivery and this resulted in lower revenues across all territories except Australia.

Our order intake, i.e. the value of orders received in the year, was also adversely impacted with a year on year decline of 4% at constant currency. This was caused by customers deferring orders due to delayed product launches and poor on time delivery.

We have maintained our diversity of market penetration within the key vertical markets and the top three market verticals now account for 39% of revenue in 2017 compared with 41% in the prior year.

Gross margin contracted by 200 basis points to 40% and gross profit reduced £3.1 million year on year. The major elements for the decrease are:

- increased freight costs due to air freighting late deliveries in order to meet customer demand;
- our manufacturing partner was not able to make the more bespoke and higher margin products; and
- we had to operate our in-house facility below capacity resulting in inefficiencies.

Operating costs increased by 2% with the cost of incremental headcount not funded by increased revenue. The result of lower gross margin and higher costs is that the overall underlying operating profit in the Lighting segment reduced by 17% to £11.2m.

Signals and components

Signals and Components	2017 £m	2016 £m	Variance
Revenue	**43.5**	45.6	(5%)
Gross profit	**12.4**	12.1	+2%
Gross profit %	**29%**	27%	+200bps
Overheads	**(8.5)**	(7.2)	(18%)
Underlying EBIT	**3.9**	4.9	(20%)

Signals and Components are high volume businesses operating within highly competitive markets. Reported revenue reduced by 5% but the prior year includes revenue from the discontinued European business of £5.5m. Excluding this business, revenue grew by 8% year on year. There is significant competition from low cost producers but margins improved by 2% as a continuous cost improvement programme mitigated the price erosion. Overall there was a reduction in underlying operating profit of £1.0m (20%).

Central overheads

Central overheads comprise of costs not directly attributable to a segment and therefore not allocated to these segments. In 2017 they amounted to £5.4m, a marginal increase of £0.1m from 2016.

Non-underlying costs

The Group incurs costs and earns income that is non-recurring in nature or that is otherwise considered to not be reflective of the underlying performance of the business. In the assessment of performance of the Group, management examines underlying performance, which removes the impact of non-underlying costs and income. The table below presents the components of non-underlying profit or loss recorded within cost of sales and administrative expenses:

Non-underlying costs	2017 £m	2016 £m
Employee severance and restructuring costs	0.3	(5.3)
Intangible asset impairment	(1.2)	(5.1)
Tangible asset impairment and disposals	(0.9)	0.2
Inventory costs	-	(3.7)
Production transfer costs	(4.6)	(2.4)
Other	-	(0.1)
Non-underlying costs recorded in administrative expenses and cost of sales	**(6.4)**	(16.4)
Total cash impact	(5.2)	(4.9)

Over the past two years the Group has been implementing its strategic plan to transform to a robust and scalable manufacturing platform. We incurred costs of £4.6m relating to the transfer of lighting assembly to our manufacturing partner. This figure relates to set-up costs, project management and dedicated engineering time. In addition, we reviewed and impaired fixed assets of £0.9m as part of scaling down our in-house Mexican facility and intangible assets of £1.2m related to product prototypes that have subsequently been superseded as a result of platform engineering.
In the prior year, non-underlying costs related to the closure of the UK manufacturing facility, expected redundancy costs at the Mexican production facility, goodwill impairment of the European Traffic business and the costs of initial production transfer to our manufacturing partner.

Cash flow

The Group's net cash position improved by £4.8m in the year from a net cash position of £8.0m at 31 December 2016 to a net cash position of £12.8m at 31 December 2017.

The roll forward of net cash was as follows:

Cash flow	2017 £m	2016 £m
Underlying operating profit (EBIT)	9.7	13.1
Depreciation	2.4	3.1
Amortisation	1.5	4.0
Adjusted underlying EBITDA	**13.6**	20.2
Working capital movements (excluding impact of non-underlying items)	5.9	0.8
Adjusted operating cash flow	**19.5**	21.0
Cash conversion %	**143%**	104%

There was a net reduction in working capital mainly driven by reduced inventory as a result of production being partially transferred to our manufacturing partner. The major outflows relate to capital expenditure of £4.9m (2016: £6.0m) and a net cash outflow of £5.2m for non-underlying items.

Banking

The Group has its banking relationships with HSBC Bank plc and Wells Fargo. The Group has a revolving credit facility with HSBC of £25m, with a further £25m "accordion" feature, and a five-year term. The Group has no borrowings against the facility at the balance sheet date and remains fully compliant with its covenant requirements which ensures significant financial flexibility.

Capital management and dividend

The Board's policy is to maintain a strong capital base in order to maintain customer, investor and creditor confidence and to sustain future development of the business. The Board considers consolidated total equity as capital. At 31 December 2017 this equated to £76.1m (2016: £77.1m).

The Board is not proposing any final dividend payment for 2017 (2016: nil). The Group has a clear capital allocation discipline and is committed to returning excess funds to shareholders via future dividend or share repurchase.

Full year guidance for 2018

The Board continues to expect a H2 weighting to the Group's trading performance for the year ending 31 December 2018. As a result of the US tax legislation changes which have been effective from 1 January 2018, we anticipate the effective tax rate for 2018, will be in the low twenties before discrete tax items. We expect our capital expenditure to be in the region of £6m for 2018.

Marty Rapp, Group Chief Executive
Fariyal Khanbabi, Group Finance Director
26 February 2018

Principal Risks and Uncertainties

The Board is responsible for identifying the nature and extent of the risks the Group has to manage in order to successfully pursue its growth strategy and generate shareholder value over the long term.

The Board uses a risk framework which is designed to support the process for identifying, evaluating and managing both financial and non-financial risk. The Group has identified the following key risks. This is not an exhaustive list but rather a list of the most material risks facing the Group. The impact of these risks, individually or collectively, could potentially affect the ability of the Group to operate profitably and generate positive cash flows in the medium to long term. As a result these risks are actively monitored and managed, as detailed below. As noted in the Business Review, the short term management focus is on mitigating the production and supply chain risks which impacted 2017.

STRATEGIC OBJECTIVE	RISK CATEGORY	RISK DESCRIPTION	IMPACT	MITIGATION
1,2,3*	Production capacity	- Production capacity needs to be sufficient to ensure current orders can be fulfilled in a timely manner and be scalable to support growth - Risks to production capacity by using a single-site location, for the manufacture of all Lighting products - The Group needs to maintain a robust supply chain	- Inability to fulfil demand due to lack of product availability - Loss of revenue and operating profit	-The Group moved Lighting production to its manufacturing partner during the year in order to provide scalable operations. - The complexity of our products was not fully appreciated by our manufacturing partner. This resulted in a slower than expected ramp-up causing capacity constraints which led to delays in order fulfilment and lower revenue. -We have placed full-time staff at our manufacturing partner's facility to hasten the knowledge transfer on production and procurement management. -Production capacity is being re-balanced between our manufacturing partner and our in-house facility to mitigate part of this risk by moving production of certain complex products back to our own Mexican facility. -The material shortages at our manufacturing partner resulted in significant production capacity constraints. The dual sourcing programme has been delayed while these immediate issues were addressed but this is a high priority issue for the coming year.
1,2	Supply chain management	The procurement planning process is dependent on the accuracy of sales forecasts to ensure adequacy of component supply	-Inability to fulfil demand due to lack of product availability -Higher inventory obsolescence with an adverse impact on gross margin	We continue to refine our forecasting process and review the accuracy levels monthly in order to provide a continuous cycle of ownership and improvement.
2,3	IT systems	The Group uses IT systems to operate and control its business; any disruption to this would have an adverse impact on the business. The Group also needs to	-Inability to supply customers -Loss of revenue and significant business disruption	-The Group continually reviews its IT systems to ensure that they are robust and scalable in line with the expansion of the business. -There are back-ups built into all Group systems and the spread of systems offers good protection from individual events

		ensure the protection and integrity of its data	-Loss of commercially sensitive information	-Third-party suppliers are used to provide data protection software.
3	Political conditions	The Group's main manufacturing plants are in Mexico and its main market is North America. Proposed import tariffs could impact the Group's business model. "Brexit" has introduced uncertainty to the level of tariffs on goods imported from Europe	-Reduced financial performance -Loss of market share -Unforeseen liabilities	-Based on current information potential tariffs on imports from Mexico to USA and Canada are not a major risk. -The Group is considering production locations within the EU.
2,3	Succession planning and staff calibre	Group performance is dependent on attracting and retaining high quality staff across all functions	Without good calibre staff, the Group will find it difficult to expand and achieve its strategic goals	-The Group's development programmes enhance the skills of executives and middle managers. -A comprehensive recruitment process and ongoing evaluation assist high-quality hiring and development. - Considerable time is spent assessing middle and senior management in order to identify succession plans.
3	Intellectual property	Theft or violation of intellectual property ("IP") by third parties or third parties taking legal action for IP infringement	-Proprietary technology used by competitors leading to loss of market share and revenue -Unforeseen liabilities	-All intellectual property is protected by patents and potential violations are pursued through legal process. -Patent office screening used to avoid infringing existing patents.
1,2,3	Market trends & competition	-To continue to lead the market, the Group must be able to identify where customer demand is trending and ensure that we have the products to match - Failure to deliver technologically advanced products or to execute sales strategy could result in loss of market share	Loss of market share	-The Group has a robust business case process which incorporates feedback from customers and is evaluated through market intelligence. -Internal and external marketing resources are used to review market trends and ensure that the Group's products remain at the forefront of the market. -Significant upgrades to our two largest product lines (High Bay and Area Light) were launched during the year.
1,2,3	Product development strategy	Ability to deliver new products to the market on a timely basis	-Loss of market share -Lack of order growth	-New product development process is being reviewed due to delays in 2017 and greater emphasis is being placed on manufacturability.
1,2,3	Product recall	The Group gives a ten year warranty on Lighting products	Unforeseen liabilities	-We maintain a reserve against potential claims. -Product quality is a key focus in the design stage and during the manufacturing process.
3	Foreign exchange	Foreign currency risk is the most significant treasury related risk for the Group. In times of significant volatility, this	-Volatile financial performance arising from translation of	-The Group uses natural hedging to cover operational exposure as the majority of revenue and costs are in US Dollars. As the business expands geographically, the use of forward contracts will be reviewed to limit

		can have a material impact on performance	profit from overseas operations -Most of the Group's profit earned is not in the reporting currency	operational exposure on a selected currency basis. -Translational exposure is not currently hedged but the Group reports key financial indicators on an actual and a constant currency basis.

*Key 1 – Reinforce our foundations 2 – Strengthen our capabilities 3 – Create and capture value

Consolidated income statement

For the year ended 31 December 2017

		Twelve months ended 31 December 2017			Twelve months ended 31 December 2016		
	Note	**Underlying £'m**	**Non-underlying £'m**	**Total £'m**	Underlying £'m	Non-underlying £'m	Total £'m
Revenue	2	**181.0**	**-**	**181.0**	182.2	-	182.2
Cost of sales		**(114.3)**	**-**	**(114.3)**	(112.7)	(3.7)	(116.4)
Gross profit		**66.7**	**-**	**66.7**	69.5	(3.7)	65.8
Distribution costs		**(34.0)**	**-**	**(34.0)**	(32.7)	-	(32.7)
Administrative expenses		**(23.0)**	**(6.4)**	**(29.4)**	(23.7)	(12.7)	(36.4)
Profit/(loss) from operating activities	2	**9.7**	**(6.4)**	**3.3**	13.1	(16.4)	(3.3)
Financial income		**-**	**-**	**-**	-	-	-
Financial expense		**(0.3)**	**-**	**(0.3)**	(0.5)	-	(0.5)
Net financing expense	4	**(0.3)**	**-**	**(0.3)**	(0.5)	-	(0.5)
Profit/(loss) before income tax		**9.4**	**(6.4)**	**3.0**	12.6	(16.4)	(3.8)
Income tax (expense)/credit	5	**(3.5)**	**2.2**	**(1.3)**	(3.9)	4.9	1.0
Profit/(loss) for the year		**5.9**	**(4.2)**	**1.7**	8.7	(11.5)	(2.8)
Profit/(loss) for the year attributable to:							
Equity owners of the Company				**1.3**			(2.8)
Non-controlling interests				**0.4**			-
Profit/(loss) for the year				**1.7**			(2.8)
Earnings per share							
Basic	7			**4.8p**			(8.4p)
Diluted	7			**4.8p**			(8.4p)

Consolidated statement of comprehensive income
For the year ended 31 December 2017

	2017	2016
	£'m	£'m
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange difference on translation of foreign operations	**(5.6)**	11.3
Income tax on exchange difference on translation of foreign operations	**0.6**	(0.9)
	(5.0)	10.4
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit pension liability	**1.9**	(1.5)
Income tax on remeasurement of defined benefit pension liability	**(0.4)**	0.3
	1.5	(1.2)
Other comprehensive income for the year, net of tax	**(3.5)**	9.2
Profit/(loss) for the year	**1.7**	(2.8)
Total comprehensive (expense)/income for the year	**(1.8)**	6.4
Attributable to:		
Owners of the parent	**(2.2)**	6.4
Non-controlling interests	**0.4**	-
Total comprehensive (expense)/income for the year	**(1.8)**	6.4

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Share capital £'m	Merger reserve £'m	Translation reserve £'m	Capital redemption reserve £'m	Retained earnings £'m	**Total £'m**	Non-controlling interests £'m	**Total equity £'m**
Balance at 1 January 2017	0.6	1.4	15.4	2.2	57.6	**77.2**	(0.1)	**77.1**
Profit for the year					1.3	**1.3**	0.4	**1.7**
Other comprehensive (expense)/income								
Foreign exchange translation differences, net of tax			(5.0)			**(5.0)**		**(5.0)**
Remeasurement of defined benefit pension liability, net of tax					1.5	**1.5**		**1.5**
Total other comprehensive (expense)/income			(5.0)		1.5	**(3.5)**		**(3.5)**
Total comprehensive (expense)/income for the year			(5.0)		2.8	**(2.2)**	0.4	**(1.8)**
Transactions with owners, recorded directly in equity								
Share-based payments, net of tax					0.8	**0.8**		**0.8**
Dividends								
Total contributions by and distributions to owners					0.8	**0.8**		**0.8**
Balance at 31 December 2017	0.6	1.4	10.4	2.2	61.2	**75.8**	0.3	**76.1**

	Share capital £'m	Merger reserve £'m	Translation reserve £'m	Capital redemption reserve £'m	Retained earnings £'m	**Total £'m**	Non-controlling interests £'m	**Total equity £'m**
Balance at 1 January 2016	0.6	1.4	5.0	2.2	61.0	**70.2**	(0.1)	**70.1**
Loss for the year	–	–	–	–	(2.8)	**(2.8)**	–	**(2.8)**
Other comprehensive income								
Foreign exchange translation differences, net of tax	–	–	10.4	–	–	**10.4**	–	**10.4**
Remeasurement of defined benefit pension liability, net of tax	–	–	–	–	(1.2)	**(1.2)**	–	**(1.2)**
Total other comprehensive income	–	–	10.4	–	(1.2)	**9.2**	–	**9.2**
Total comprehensive income for the year	–	–	10.4	–	(4.0)	**6.4**	–	**6.4**
Transactions with owners, recorded directly in equity								
Share-based payments, net of tax	–	–	–	–	0.6	**0.6**	–	**0.6**
Dividends	–	–	–	–	–	**–**	–	**–**
Total contributions by and distributions to owners	–	–	–	–	0.6	**0.6**	–	**0.6**
Balance at 31 December 2016	**0.6**	**1.4**	**15.4**	**2.2**	**57.6**	**77.2**	**(0.1)**	**77.1**

At 31 December 2017 the number of shares held by the Group through the Dialight Employees' Share Ownership Plan Trust ("ESOT") was nil (2016: nil). The market value of these shares at 31 December 2017 was £nil (2016: £nil).

Consolidated statement of total financial position
At 31 December 2017

	Note	**2017 £'m**	2016 £'m
Assets			
Property, plant and equipment		**13.9**	15.9
Intangible assets		**13.9**	15.4
Deferred tax assets		**5.3**	3.5
Employee benefits		**1.0**	-
Other receivables		**0.2**	-
Total non-current assets		**34.3**	34.8
Current assets			
Inventories		**24.6**	31.4
Trade and other receivables		**34.3**	40.0
Asset held for sale		**-**	2.0
Cash and cash equivalents	9	**12.8**	8.0
Total current assets		**71.7**	81.4
Total assets		**106.0**	116.2
Current liabilities			
Trade and other payables		**(26.9)**	(31.3)
Provisions	8	**(1.4)**	(3.8)
Tax liabilities		**(0.7)**	(1.9)
Borrowings		**-**	–
Total current liabilities		**(29.0)**	(37.0)
Employee benefits		**-**	(1.3)
Provisions	8	**(0.9)**	(0.8)
Total non-current liabilities		**(0.9)**	(2.1)
Total liabilities		**(29.9)**	(39.1)
Net assets		**76.1**	77.1
Equity			
Issued share capital		**0.6**	0.6
Merger reserve		**1.4**	1.4
Other reserves		**12.6**	17.6
Retained earnings		**61.2**	57.6
		75.8	77.2
Non-controlling interests		**0.3**	(0.1)
Total equity		**76.1**	77.1

Consolidated statement of cash flows
For the year ended 31 December 2017

	Note	**2017 £'m**	2016 £'m
Operating activities			
Profit/(loss) for the year		**1.7**	(2.8)
Adjustments for:			
Financial income	4	**-**	–
Financial expense	4	**0.3**	0.5
Income tax charge/(credit)	5	**1.3**	(1.0)
Share-based payments		**0.8**	0.6
Depreciation of property, plant and equipment		**2.4**	3.1
Amortisation of intangible assets		**1.5**	4.0
Impairment losses on intangible assets and goodwill		**1.2**	5.1
Impairment losses on tangible assets		**0.9**	-
Gain on disposal of tangible assets		**-**	(0.2)
Legal settlement		**-**	1.3
Operating cash flow before movements in working capital		**10.1**	10.6
Decrease/(increase) in inventories		**5.1**	(0.2)
Decrease/(increase) in trade and other receivables		**3.4**	(1.5)
(Decrease)/increase in trade and other payables		**(2.6)**	5.0
(Decrease)/increase in provisions	8	**(2.4)**	2.9
Pension contributions in excess of the income statement		**(0.5)**	(0.5)
Cash generated from operations		**13.1**	16.3
Income taxes (paid)/received		**(4.3)**	0.3
Interest paid	4	**(0.3)**	(0.5)
Net cash generated from operating activities		**8.5**	16.1
Investing activities			
Capital expenditure		**(2.6)**	(3.9)
Sale of fixed assets		**2.0**	0.9
Capitalised expenditure on development		**(2.3)**	(2.1)
Net cash used in investing activities		**(2.9)**	(5.1)
Financing activities			
Proceeds from issue of shares		**0.1**	-
Repayment of bank facility		**-**	(9.5)
Net cash (used in)/generated from financing activities		**0.1**	(9.5)
Net increase in cash and cash equivalents		**5.7**	1.5
Cash and cash equivalents at beginning of year		**8.0**	5.5
Effect of exchange rates on cash held		**(0.9)**	1.0
Cash and cash equivalents at end of year	9	**12.8**	8.0

Notes to the consolidated financial statements
For the year ended 31 December 2017

1. Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are carried at fair value.

The Directors have a reasonable expectation that the Company has sufficient resources to continue in existence for a period no shorter than 12 months from the date of this report. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Full financial statements for the year ended 31 December 2017, will be posted to shareholders on 02 March 2018, and delivered to the registrar after the Annual General Meeting on 17 April 2018.

Use of estimates, judgements and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements. The process of preparing the Group's financial statements inevitably requires the Group to make estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have the most significant effect on the amounts included in these consolidated financial statements are as follows:

Significant judgements

Development and patent costs

The Group capitalises development costs and patents provided they meet all criteria set out in the respective accounting policy. Costs are only capitalised where management is satisfied as to the ultimate commercial viability of the projects concerned based on available information. The capitalised costs are amortised over the useful economic life, which is determined based on the reasonable commercial prospects for the resultant product.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

<u>Significant estimates</u>

Inventory provision

The Group operates in an environment of technological change, presenting the risk of obsolete inventory. Inventory is reviewed by operational and financial management on a regular basis, product by product, and the level of provision required is assessed against historical and forecast use for that product. Inventory at our outsource manufacturer is only included on the balance sheet of the Group where ownership reverts to the Group under the terms of the outsourcing agreement.

Warranty

The Group offers performance warranties on many of its products. A provision is made for the expected costs of future warranty claims relating to past product sales. This provision is estimated based on historical trends for returns, internal knowledge of product performance characteristics and the expected costs of remedying warranty-returned products. Actual returns may be materially higher or lower than these estimates, which may have a material impact on the adequacy of the provision for warranty claims.

Changes in accounting policies

The Group has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements.

The Group has adopted a number of standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017. There was no material impact on the financial performance of the Group.

Adoption of new and revised standards

A number of new standards, amendments to standards and interpretations, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning after 1 January 2018) and IFRS 16 Leases (effective for annual periods beginning after 1 January 2019), have not been applied in preparing these consolidated financial statements.

The Group has undertaken analysis and is currently assessing the impact of IFRS 9, IFRS 15 and IFRS 16 but believes that none of these will have a material impact on the financial statements, but may require some further disclosure.

IFRS 15 Revenue from Contracts with Customers (effective for the year beginning 1 January 2018), provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. Based on the initial analysis, we expect that adoption of IFRS 15 will have no significant impact on the timing of recognition of revenue. The only changes for the Group is how revenue is disaggregated for the purpose of disclosure. The revenue will be primary disaggregated by geographical market and vertical segments within reportable segments.

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.

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

There is no inter-segment revenue and no individual customers that represent more than 10% of revenue.

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 include share-based payments.

Segmental assets and liabilities are not reported internally and therefore are not presented below:

Reportable segments

2017	**Lighting £'m**	**Signals and Components £'m**	**Total £'m**
Revenue	**137.5**	**43.5**	**181.0**
Underlying gross profit	**54.3**	**12.4**	**66.7**
Overheads	**(43.1)**	**(8.5)**	**(51.6)**
Segment results	**11.2**	**3.9**	**15.1**
Unallocated expenses			**(5.4)**
Underlying operating profit			**9.7**
Non-underlying expense			**(6.4)**
Operating profit			**3.3**
Net financing expense			**(0.3)**
Profit before tax			**3.0**
Income tax expense			**(1.3)**
Profit after tax			**1.7**

2016	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	136.6	45.6	182.2
Underlying gross profit	57.4	12.1	69.5
Overheads	(43.9)	(7.2)	(51.1)
Segment results	13.5	4.9	18.4
Unallocated expenses			(5.3)
Underlying operating profit			13.1
Non-underlying expense			(16.4)
Operating loss			(3.3)
Net financing expense			(0.5)
Loss before tax			(3.8)
Income tax expense			1.0
Loss after tax			(2.8)

Other segmental data

	2017			2016		
	Lighting £'m	**Signals and Components £'m**	**Total £'m**	Lighting £'m	Signals and Components £'m	Total £'m
Underlying						
Depreciation	**1.8**	**0.6**	**2.4**	2.3	0.8	3.1
Amortisation	**1.1**	**0.4**	**1.5**	3.3	0.7	4.0
Non-underlying						
Gain on disposal of tangible assets	**-**	**-**	**-**	(0.2)	–	(0.2)
Impairment losses on tangible asset write-down	**0.9**	**-**	**0.9**	-	-	-
Impairment losses on intangible asset write-down	**1.1**	**0.1**	**1.2**	1.1	4.0	5.1

Geographical segments

The Lighting and Signals and Components segments are managed on a worldwide basis but operate in four principal geographical areas: North America, the UK, Europe 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

	2017 £'m	2016 £'m
North America	**136.0**	129.7
UK	**5.5**	11.3
Rest of Europe	**15.7**	17.4
Rest of World	**23.8**	23.8
	181.0	182.2

Reconciliations of reportable segment profit or loss

	2017 £'m	2016 £'m
Total profit for reportable segments	**15.1**	18.4
Unallocated amounts:		
Overheads	**(5.4)**	(5.3)
Non-underlying expense	**(6.4)**	(16.4)
Net financing expense	**(0.3)**	(0.5)
Profit/(loss) before tax	**3.0**	(3.8)

3. Non-underlying income/(expense)

The Group incurs costs and earns income that is non-recurring in nature or that is otherwise considered to not be reflective of the underlying performance of the business. In the assessment of performance of the business units of the Group, management examines underlying performance, which removes the impact of non-underlying costs and income.

The table below presents the elements of non-underlying profit or loss recorded within cost of sales:

	2017 £'m	2016 £'m
Inventory costs	**-**	(3.7)
Non-underlying costs recorded in cost of sales	**-**	(3.7)

The table below presents the elements of non-underlying profit or loss recorded within administrative expenses:

	2017 £'m	2016 £'m
Employee severance and restructuring costs	**0.3**	(5.3)
Intangible asset impairment	**(1.2)**	(5.1)
Tangible asset impairment and disposals	**(0.9)**	0.2
Production transfer costs	**(4.6)**	(2.4)
Other	**-**	(0.1)
Non-underlying costs recorded in administrative expenses	**(6.4)**	(12.7)

The Group incurs costs and earns income that is non-recurring in nature or that is otherwise considered to not be reflective of the underlying performance of the business. In the assessment of performance of the Group, management examines underlying performance, which removes the impact of non-underlying costs and income.

Over the past two years the Group has been implementing our strategic plan to transform to a robust and scalable manufacturing platform. We have incurred costs in relation to this transition.

We incurred costs of £4.6m relating to the transfer of lighting assembly to our manufacturing partner. These related to set-up costs, project management and dedicated engineering time. In addition, we reviewed and impaired fixed assets of £0.9m as part of scaling down our in-house Mexican facility and intangible assets of £1.2m related to product prototypes that have subsequently been superseded due to platform engineering.

In the prior year, non-underlying costs related to the closure of the UK manufacturing facility, expected redundancy costs at the Mexican production facility, goodwill impairment on the European Traffic business and initial production transfer costs to our manufacturing partner.

4. Net financing (expense)/income

Recognised in profit and loss

	Year ending 31 December 2017			Year ending 31 December 2016		
	Underlying £'m	**Non-underlying £'m**	**Total £'m**	Underlying £'m	Non-underlying £'m	Total £'m
Net interest on defined benefit liability	**(0.2)**	**-**	**(0.2)**	(0.2)	-	(0.2)
Interest expense on financial liabilities	**(0.1)**	**-**	**(0.1)**	(0.3)	-	(0.3)
Net financing expense recognised in the consolidated income statement	**(0.3)**	**-**	**(0.3)**	(0.5)	-	(0.5)

5. Income tax (income)/expense

Current tax expense

Recognised in the income statement

	2017 £'m	2016 £'m
Current tax (income)/expense		
Current year	**2.5**	3.3
Adjustment for prior years	**(0.2)**	(0.3)
	2.3	3.0
Deferred tax (income)/expense		
Origination and reversal of temporary differences	**(0.5)**	(2.1)
Adjustment for prior years	**(0.8)**	(1.7)
Reduction in tax rate	**0.4**	(0.2)
Recognition of previously unrecognised losses	**(0.1)**	-
Income tax expense/(income)	**1.3**	(1.0)

Reconciliation of effective tax rate

	2017 %	**2017 £'m**	2016 %	2016 £'m
Profit/(Loss) for the year		**1.7**		(2.8)
Total income tax income		**1.3**		(1.0)
Profit/(Loss) excluding income tax		**3.0**		(3.8)
Income tax using the UK corporation tax rate	**19.3**	**0.6**	(20.0)	(0.8)
Effect of tax rates in foreign jurisdictions	**16.9**	**0.5**	23.7	0.9
Increase/(reduction) in tax rate	**13.6**	**0.4**	(5.3)	(0.2)
Non-deductible expenses	**33.9**	**1.0**	36.8	1.4
Recognition of tax effect of previously unrecognised losses	**(3.4)**	**(0.1)**	(7.9)	(0.3)
Adjustment for prior years	**(33.6)**	**(1.0)**	(52.6)	(2.0)
Non-taxable income	**-**	**-**	5.6	0.2
Research and development credits	**(6.8)**	**(0.2)**	(2.6)	(0.1)
Other	**3.4**	**0.1**	(2.6)	(0.1)
	43.3	**1.3**	(24.9)	(1.0)

The underlying business had a tax rate of 33.0% (2016: 31.0%), before one-off items. The recent US tax reforms have resulted in a reduction of £0.4m in the value of deferred tax assets. Non underlying costs receive tax relief at 34.4% (2016: 30.0%). The net impact of these changes result in a reported effective tax rate of 43.3% (2016: 24.9% credit) for the Group.

The majority of the Group's profits arise in the US where the corporation tax rate was 35% in 2017 and this is the main driver for the tax rate on the underlying business being 33%. The recently announced tax reforms in the US reduce the corporation tax rate to 21%, effective 01 January 2018. As a result, we anticipate an effective tax rate for 2018 in the low twenties before discrete tax items.

Tax recognised directly in equity

	2017 £'m	2016 £'m
Employee benefits	**0.4**	(0.3)
Other	**(0.6)**	0.9

Current tax

Current tax is calculated with reference to the profit 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 19.25% (2016: 20%). The UK entities have a tax credit due to losses arising in the period. The UK tax authorities have reduced the UK rate of Corporation Tax from 1 April 2017 to 19% and by a further 2% to 17% from 1 April 2020. No further UK corporation tax rate reductions have been announced. As such, the UK timing differences have been recognised at the rate at which the timing differences are expected to unwind.

US

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The new law makes broad and complex changes to the U.S. tax code and it will take time to interpret the changes. Based on our current understanding of the law following, we estimate the impact to our US 2017 earnings to be minimal for current tax perspective but have a £0.4m impact on the value of deferred tax assets.

The new territorial tax system will cause us to incur a deemed repatriation tax of £0.1m on undistributed earnings of certain non-U.S. subsidiaries. Beginning in 2018, we anticipate an effective tax rate in the low twenties before discrete tax items.

6. Dividends

After the balance sheet date no dividends were proposed by the Directors and there are no income tax consequences for the Company.

Final proposed dividend	**2017 £'m**	2016 £'m
Nil pence per ordinary share (2016: nil pence)	**-**	-

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share ("EPS") at 31 December 2017 was based on a profit for the year of £1.7m (2016: loss of £2.8m) and the weighted average number of ordinary shares outstanding during the year of 32,510,106 (2016: 32,503,348).

Diluted earnings per share

The calculation of diluted EPS at 31 December 2017 was based on a profit for the year of £1.7m (2016: loss of £2.8m) and the weighted average number of ordinary shares outstanding during the year of 33,014,680 (2016: 32,777,907) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017 '000	2016 '000
Weighted average number of ordinary shares	**32,510**	32,503
Effect of share options in issue	**505**	275
Weighted average number of ordinary shares (diluted)	**33,015**	32,778

Underlying EPS is highlighted below as the Directors consider that this measurement of earnings gives valuable information on the performance of the Group.

	2017 Per share	2016 Per share
Basic earnings	**4.8p**	(8.4p)
Underlying basic earnings*	**17.9p**	26.9p
Diluted earnings	**4.8p**	(8.4p)
Underlying diluted earnings*	**17.6p**	26.7p

* Underlying earnings excludes non-underlying items as explained in note 10 and allocates tax at the appropriate rate (see note 5).

8. Provisions

	Warranty £'m	Restructuring £'m	Total £'m
Balance at 1 January 2017	1.8	2.8	4.6
Effects of foreign exchange movement	(0.1)	(0.1)	(0.2)
Provisions made during the year	1.0	-	1.0
Provisions used during the year	(1.2)	(1.6)	(2.8)
Provision not required	-	(0.3)	(0.3)
Balance at 31 December 2017	**1.5**	**0.8**	**2.3**

The warranty provision relates to sales made over the past five years. The provision has been estimated based on historical warranty data with similar products adjusted for the potential warranty received on products from our manufacturing partner. The Group expects to settle the majority of the liability over the next two to three years. Movements related to discounting the warranty provision are less than £0.1m in both years and therefore not disclosed. The restructuring provision relates to redundancy costs (see note 3) and will all be utilised within one year.

	Total 2017 £'m	Total 2016 £'m
Due within one year	**1.4**	3.8
Due between one and five years	**0.9**	0.8
	2.3	4.6

9. Cash and cash equivalents

	2017 £'m	2016 £'m
Cash and cash equivalents in the statement of total financial position	**12.8**	8.0
Cash and cash equivalents in the statement of cash flows	**12.8**	8.0

10. Reconciliation to non-GAAP performance measures

The Group has been involved in a major transformation of its operational footprint over the past two years. This has resulted in costs being incurred and revenues being earned that relate solely to the transformation and which are not representative of the on-going performance of the business. The Board consider that users of the financial statements find it useful to view the on-going costs and revenues of the business in isolation from costs related to the transformation.

	2017 **£'m**	2016 £'m
Gross profit	**66.7**	65.8
Non-underlying items (see note 3)	**-**	3.7
Underlying gross profit	**66.7**	69.5
Profit/(Loss) from operating activities	**3.3**	(3.3)
Non-underlying items (see note 3)	**6.4**	16.4
Underlying operating profit/Underlying EBIT	**9.7**	13.1
Profit/(Loss) from operating activities	**3.3**	(3.3)
Non-underlying items (see note 3)	**6.4**	16.4
Depreciation of property, plant and equipment	**2.4**	3.1
Amortisation of intangible assets	**1.5**	4.0
Adjusted underlying EBITDA	**13.6**	20.2
Profit/(Loss from operating activities	**3.3**	(3.3)
Non-underlying items	**6.4**	16.4
Depreciation of property, plant and equipment	**2.4**	3.1
Amortisation of intangible assets	**1.5**	4.0
Net movement on working capital (Inventories, trade and other receivables, trade and other payables) per Consolidated statement of cash flows	**5.9**	3.3
Movements in working capital related to non-underlying	**-**	(2.5)
Adjusted operating cashflow	**19.5**	21.0

Constant currency

The Group's revenues are mainly earned in the US and it presents certain key metrics on a constant currency basis to remove any impact of currency fluctuations. The constant currency impact is calculated by re-translating the prior year numbers at the exchange rate prevailing in the current year.