

**DIALIGHT plc**  
**(“DIALIGHT” OR THE “GROUP”)**

**Unaudited second interim results for the 12-month period ended 31 December 2023**

Dialight plc (LSE: DIA.L), a global leader in sustainable LED lighting for industrial applications, announces its interim results for the 12-month period ended 31 December 2023.

The Company has changed its financial year end from 31 December to 31 March as communicated in its trading update on 30 January 2024. These second interim financial statements comprise 6-month and 12-month results for the period ending 31 December 2023, with corresponding comparatives.

**CHALLENGING MARKET CONDITIONS PERSIST BUT TRANSFORMATION PLAN UNDERWAY TO UNLOCK  
SIGNIFICANT VALUE OVER THE MEDIUM TERM**

	<b>6 months H2 2023 £m (unaudited)</b>	6 months H2 2022 £m (unaudited)	<b>12 months 2023 £m (unaudited)</b>	12 months 2022 £m (audited)
<b>Financial summary</b>				
Revenue	<b>75.6</b>	88.9	<b>148.8</b>	169.7
Underlying profit from operating activities	<b>2.6</b>	1.9	<b>0.1</b>	5.0
(Loss)/profit from operating activities	<b>(8.8)</b>	-	<b>(11.7)</b>	2.3
(Loss)/profit before tax for the period	<b>(10.2)</b>	(1.1)	<b>(14.4)</b>	0.5
(Loss)/profit after tax for the period	<b>(7.6)</b>	(0.8)	<b>(10.8)</b>	0.4
Statutory EPS – basic and diluted	<b>(21.0p)</b>	(2.4p)	<b>(31.1p)</b>	1.2p
Net debt – excluding IFRS 16 lease liabilities	<b>12.3</b>	20.9	<b>12.3</b>	20.9

**Key points for the 12 month period**

- Group revenue of £148.8m was 12% lower than the prior year (12% at reported currency), largely driven by the cyclical downturn in Signals & Components, notably Opto-Electronics
- Group orders down 5% at constant currency
  - Lighting 2% lower than 2022 reflecting weak capex orders
  - Signals & Components 15% lower as a result of weakness in Opto-Electronics
- Gross margin reduced to 31.5% (2022: 32.2%) reflecting a combination of labour inflation and lower overhead absorption
- The Group delivered an underlying operating profit of £0.1m in the 12-month period helped by stronger performance in the second six-month period
- Non underlying items of £11.8m, including an impairment charge of £9.2m to goodwill. Net debt at 31 December 2023 reduced to £12.3m (31 December 2022: £20.9m) after receiving £9.8m net proceeds from an equity fundraising completed in October 2023
- Solid progress with Transformation Plan with key objectives firmly established; Group engaged with a number of potential buyers of identified non-core businesses.
- Challenging market conditions expected to continue through 2024, however the Board remains confident in the refreshed strategy and the medium-term benefits of the transformation project

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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](http://www.dialight.com).

**Notes:**

1. Net debt excludes lease liabilities under IFRS 16.
2. Constant currency impact is calculated by re-translating the prior year's numbers at the exchange rate prevailing in the current year.
3. 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 are 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.

## CEO REVIEW

Group revenues for the 12 months ended 31 December 2023 were 12% lower than the prior 12-month period at £148.8m (12% constant currency decrease). The reduction was seen across both business segments, with Signals & 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.

Demand trends and operating conditions in the Group's end markets through the latter part of 2023 remained consistent with those we reported in the half year results announced in September 2023. Despite ongoing softness in a number of segments, the Group continued to make progress benefiting from improved service and product availability as a result of the actions taken over the previous 18 months.

Group gross margins for the 12-month period reduced slightly to 31.5% from 32.2% in the comparable period, with improvements in material costs through cost reduction projects and negotiation with suppliers in part offsetting increased labour rates and lower fixed overhead absorption. With the launch of a number of cost reduction projects, and improvements in purchase prices, gross margins improved materially in the second six months to 33.4% from both H1 2023 (29.7%) and H2 2022 (29.7%).

We faced ongoing challenges from price inflation of components throughout the first six months of the year despite improvements in availability. However, negotiations with key suppliers showed strong progress in the second six-month period with a significant improvement in the level of discounts received. Inventory levels reduced driven by utilising stock purchased at higher prices. In addition, the engineering team delivered c.£0.5m of savings in material costs from product cost reductions in 2023 which will continue to provide benefits throughout 2024.

We maintained our strong focus on cost control in the year, lowering Selling, General and Administrative (SG&A) costs by £2.8m (£2.5m constant currency).

This combination of lower volumes and gross margins contributed to a significant reduction in Group underlying operating profit from operating activities to £0.1m (2022: £5.0m). Non underlying costs for the 12-month period were £11.8m and included a charge of £9.2m to impair the carrying value of goodwill. Finance costs increased to £2.7m (2022: £1.8m), mirroring the surge in global interest rates during the year.

Overall this has resulted in a loss before tax for the 12-month period ended 31 December 2023 of £14.4m compared with a profit before tax of £0.5m in the prior year comparable period.

Lighting represented c.76% of revenues in the year (2022: c.71%). Lighting orders fell 2% (2% constant currency decrease) due to a 5% reduction in capex orders, with MRO orders in line. The EMEA region outperformed expectations, where orders were up 27% (27% constant currency increase) versus 2022, as the region benefitted from large orders with key customers. Our core US market saw orders decline by 2%, (1% constant currency decrease) with the strength of our MRO business helping to offset continued deferment of capex orders. Similarly, Australia saw a 2% decline (2% constant currency decrease) whilst Asia was adversely impacted by a high value order cancellation, but with limited impact on the Group given its size.

We continued to develop our strategic accounts team who are working closely with our field sales team. The majority of our large US customers and target customers, require a "preferred supplier agreement" to be in place with their corporate Head Office, before any sale can be confirmed at the plant level. We have now been specified for a very large industrial lighting project in the US which is a significant achievement, with revenues expected to commence in full year 2025, and we continue to sign agreements with other major customers.

Signals & Components is a high-volume business operating within highly competitive and cyclical markets. Revenues in 2022 benefitted from an exceptionally high order book following record growth in 2021, however as the cycle began to turn, orders declined significantly in the key Opto-Electronics business in H2 2022, resulting in a very weak opening order book at the start of the year. Order rates showed modest signs of recovery in 2023, however inventory levels in the channel remain high. Market conditions are expected to continue to see slow improvement as we go into 2024.

Operations and supply chain management remained a key focus for the Group in 2023, with a gradual shift from maintaining security of supply to focusing on price renegotiation, as material availability improved for some components. We continue to see some short-term impact from material shortages within the market but remain committed to maintaining short lead times and c.90% on time delivery within Lighting and Signals & Components, which has been critical in supporting our MRO orders.

Cash generated from operations remained robust at £4.9m, benefitting from a substantial reduction in inventory levels of £10.4m as the number of component shortages continued to reduce in the year and the Group consumed inventory purchased during the major supply chain shortages in 2022. The Group remains focused on reducing the level of inventory held.

We continued to invest in new and improved product development with £3.6m spent in 2023. The main areas of investment were into new battery backup systems (launched in July 2023), a new high output floodlight, power supply improvements and product cost reductions across several product families and production processes as part of our transformation plan.

As of 31 December 2023, the Group had net bank debt of £12.3m (2022: £20.9m) after having raised £9.8m of proceeds from the equity fund raising completed on October 2023.

## Transformation plan

Following the equity fundraising announced in September 2023, the Group has commenced its transformation plan, which is focused on streamlining the Group, accelerating growth, and improving profitability. The plan focuses on unlocking value within the Group, whilst growing the core Lighting business to deliver the 2026 objectives of a larger and more profitable business.

Implementation of the plan will require a relentless focus on execution excellence. To accelerate the strategy, certain investments are required in the short term, which will deliver the improved financial returns assumed over the medium term. To ensure successful delivery and clear strategic oversight, the Board has established a formal Board Committee, which meets monthly with senior executives. In addition, the Group has commenced recruitment of key hires to support existing stakeholders in achieving the plan objectives, including two project managers to oversee the Mexico elements of the transformation and with recruitment of key hires for the development of new revenue streams currently in progress. Furthermore, an external engineering, procurement, and construction firm has been appointed to ensure our Malaysia downsizing transformation is delivered in a short time frame.

## Reducing cost through consolidation and automation

Dialight operates from four principal manufacturing sites across Mexico, the US and Malaysia. This footprint helps to support the international nature of our customer base, but also gives rise to inefficiency at both a site and network level. Reducing complexity in our site network forms a key component of streamlining the business, but also provides the potential for cost reduction through consolidation. The Group has made good progress on this aspect of the transformation and is in advanced negotiation to secure the lease of the land for the new production site in Mexico which is expected to be operational in 2025. Progress has been made in the transformation of our Malaysia operations, with the lease signed for a smaller Opto-Electronics focused production facility in Penang, Malaysia. Reconfiguration of production is already underway following the transfer of Malaysian Lighting production to the Group's Mexican manufacturing facilities, with the full transformation expected to complete in May 2024.

In addition to site consolidation, the transformation plan is focused on cost reduction through automation. Today, many of our manufacturing processes are excessively labour intensive, which has resulted in rapid cost escalation in the last two years as wage inflation has accelerated. Against this backdrop, automation represents a significant improvement opportunity.

The first phase of the automation process is underway, commencing with an investment of c.£1.8m into our Mexican facility. Delivery of the equipment is expected in the first half of 2024 and will be operational by October 2024.

## **Increasing focus**

The transformation plan includes an ongoing review of the Group's business, with a view to narrowing its focus to Dialight's core competencies. LED Lighting for industrial applications is the Group's largest business, representing over 71% of revenues in 2023 and where the majority of our resources are focused. Alongside LED Lighting, the Group has four smaller businesses focused on niches within the wider lighting market: Components (13% Group revenues in 2023); Traffic & Rail (6% of Group revenues); Vehicle (6% of Group revenues); and Obstruction (4% of Group revenues). Whilst each of these businesses has attractive facets within their respective niche markets, the Board does not believe that all have the potential to generate sufficient returns. As a result, the Group's Traffic and Rail businesses were identified for divestment and good progress has been achieved in identifying buyers of these businesses at prices that reflect their inherent value. Ongoing negotiations to dispose of these businesses are expected to complete in 2024, with the net proceeds being applied to support the investment required under the transformation plan.

## **Accelerating growth**

The industrial LED lighting market with an addressable market of c. £10bn continues to be very attractive, with the conversion from historic technologies and increasing focus on safety and sustainability supporting long term structural growth. Our historic focus on the harsh and hazardous segment has helped achieve a market leading position in the US, with excellent customer and distributor relationships. This continues to be enhanced by the strategic account initiative which has improved penetration of large-scale customers, and by our expansion into the Food & Beverage sector, which represents an incremental market of \$1bn for Dialight.

Alongside the growth in LED Lighting demand, we are also seeing a rapid evolution in technology as customers seek ever-increasing levels of productivity and efficiency from their sites. The integration of monitoring, safety and productivity features within our lighting fixtures represents an immediate opportunity to enhance our products and over the longer term we see the potential for the lighting networks within buildings to play a key role in industrial connectivity.

The transformation plan seeks to capitalise on this opportunity through two initiatives; further monetising our technology expertise through selling component elements, for example power supply topology, into markets where we do not operate, and developing fixture products with integrated monitoring or control components for specified higher value customer applications. Taken together, we think that the potential for these new products could readily generate sales in excess of £10m in the medium term.

We have made good progress to date on both of these elements of our transformation plan which will accelerate in 2024. Several potential partners have been identified to support the prospect of selling our power supply topology who we are engaging with and expect to move to development phases with one or more partners in H1 2024. With regards to embedding advanced control features into our fixtures, we have begun partnering with one new controls manufacturer, alongside our existing partnership with Enlighted, and are integrating their controls systems within our key fixtures. A further two potential controls partners have been identified with development expected early in 2024. The critical next step is conducting proof of concept testing via beta sites, of which two are currently underway.

## **Streamlining processes and reducing complexity**

As identified during the Board's business review in 2023, our current product range is too broad and complex. We have made good progress on standardising our product offering, with our engineering and operations functions collaborating to achieve large reductions in SKUs through standardisation of sub-assemblies and completion of upgrades to low volume products. This will not only enable more efficient production but will also support greater material purchasing accuracy and inventory control. We expect these projects to be completed in H1 2024. In addition,

the Group has decided to discontinue the Stainless Steel Linear, a legacy product line. We remain confident that there will be no significant impact on revenues as a result, with suitable alternative products readily available.

## Realigning the cost base

In addition to focussing on improvements in our gross profit, the transformation plan will seek to address our operating cost base with a realignment to reflect the current organisation. This is being carried out in phases, with the initial steps taken through restructuring of operating departments, generating a £0.9m cost reduction in 2023, and more recently the decision to relocate the London office to a lower cost facility will generate c.£0.3m of annual savings for 2024.

The second phase of this aspect of the transformation will focus on the US sales function, ensuring this is structured to position Dialight for growth whilst minimising external sales costs incurred. Changes are being implemented from Q2 2024.

## Sanmina litigation

As previously reported, Dialight is involved in ongoing litigation with Sanmina Corporation, following the termination in September 2018 of the manufacturing services agreement (MSA). Dialight confirms that a trial date has been set for 15 July 2024, subject to any further motions, appeal processes and/or mediation, and is anticipated to last for 10 days. Further details of Dialight's claim against Sanmina can be accessed at [www.dialight.com/ir/shareholder-information/sanmina-litigation/](http://www.dialight.com/ir/shareholder-information/sanmina-litigation/). If Dialight's claims are successful at trial, the range of outcomes could include the payment by Sanmina to Dialight of between \$0 and c. \$220m (excluding legal costs and judicial interest). If Sanmina's claim is successful at trial the range of outcomes could include the payment by Dialight to Sanmina of between \$0m and \$8.3m (excluding legal costs and judicial interest).

## Purpose and sustainability

As a sustainability focussed business, our aim is to reduce global emissions in the industrial LED-lighting sector through growth in LED-luminaire sales. We now have over 3 million industrial LED lighting fixtures installed in customer sites and we expect that these installations will deliver avoided emissions for our customers of c.2m tonnes over their lifecycle relative to non- LED lighting fixtures.

We have been analysing and reporting Scope 1, 2 and 3 emissions since 2020. In 2022 our climate change rating was B. Using this data, we submitted our near term and long-term targets to the Science Based Targets initiative (SBTi) during 2023. The SBTi has validated that the science-based emissions reduction targets conform with the SBTi Criteria and Recommendations (Criteria version 5.1). SBTi has classified our targets as in line with a 1.5°C trajectory and Dialight is now a member of Business Ambition for 1.5°C.

From a base year of 2020, our targets are:

- to reduce absolute Scope 1&2 emissions by 38% by 2029
- to reduce absolute Scope 3 emissions by 22% by 2029
- to reach net-zero greenhouse gas emissions across the value chain by 2040

The major tenet of our plan relates to reducing electricity use by:

- continually increasing the efficiency of our products to reduce electricity usage
- researching the use of materials in our products that require less upstream processing
- anticipating the availability of a decarbonised electrical grid as 90% of our total emissions come from customer usage of our products

We continue to prioritise safety, not only in our own facilities but also within our supply chain, where performance is evaluated by EcoVadis. Our re-rating with EcoVadis will be published shortly and our prior rating was silver in November 2022.

The contribution of our products to sustainable customer solutions continues with updates to our two largest product lines. The High Bay and Area Light fixtures now have the option of battery back-up versions. Poor visibility is a leading cause of accidents at industrial facilities, ensuring proper illumination is of paramount importance, especially in facilities where power outages can occur.

The business growth targeted in our strategic review and transformation plan will increase our positive sustainability impact even more and help more of our customers to achieve their net zero targets.

### Change of year end and presentational currency during 2024

As previously announced, Dialight's December year-end coincides with the Group's busiest trading quarter, with a significant number of short-notice orders placed for immediate delivery, especially in the final month. Uncertainty over the extent and timing of these orders creates difficulty in managing and forecasting the business. Given this, the decision has been taken to change the Group's financial year end to 31 March, thereby finishing the year with the quietest quarter. A pre close trading update will be provided soon after this date, with the audited FY24 results being released in July 2024.

The Group has historically presented its financial results in UK sterling despite most of the underlying revenues, costs, and financing being denominated in US dollars. As a result, movements in foreign exchange rates can result in significant translational differences in the reported results. To mitigate this the Board is now considering a change in its presentational currency from UK sterling to US dollars, but no decision has yet been confirmed.

### Market condition and outlook

We anticipate challenging market conditions will persist through 2024 with longer than usual order cycles for major projects due to inflationary pressures, shortages of key skills, and economic uncertainty, particularly in our key US market. Despite this we continued to grow our sales pipeline by c.7% from December 2022, ending the year with a stronger opening order book for 2024 whilst maintaining short lead times to support our MRO business.

The Group also continues to be successful in expanding its customer base into a wider range of process industries including aerospace, electric vehicles, and food & beverage, with several large contracts awarded in the year and further contracts expected as capital spending improves. Facilities in these markets can be very significant in scale and often have demanding operational requirements which lend themselves to Dialight's highly engineered product range.

With this background and with the refreshed strategy focussed on delivering medium-term benefits of the transformation project, the Board remains confident of making progress in 2024.

**Steve Blair**

**Group Chief Executive**

## FINANCIAL REVIEW

Overall performance in H2 2023 showed improvement on H2 2022, with underlying operating profit increasing by £0.7m (£0.9m constant currency) despite a £13.3m reduction in revenue between the periods. This revenue reduction was largely the result of the downturn experienced in the Opto-Electronics market, in addition to the continued deferment of capital projects within the Lighting business. The Group was able to mitigate the impact of the revenue reduction in H2 2023 following the actions taken to improve gross margin, including the engineering cost reduction projects, in addition to restructuring benefits and other SG&A savings. However, following adverse performance in H1 2023, the full year underlying operating profit decreased to £0.1m from £5.0m in 2022.

Component costs continued to impact margin as we utilised components forward ordered in 2022 at elevated prices. We are starting to see the benefits from lower inventory pricing coming through, albeit slowly, and this should benefit 2024. Freight costs are improving following increases to the minimum order values for free shipping and consolidation of shipments to improve efficiency, with a significant reduction in the use of expedited shipping modes as material availability improved. However, the minimum wage increased by 20% from 1 January in Mexico, where the majority of our manufacturing team are based, highlighting the necessity to increase automation. Full year SG&A costs fell by £2.8m (£2.4m constant currency) which included £0.9m benefit of restructuring actions. Further cost improvement was the result of £0.8m savings in sales commission due to lower orders and £1.0m FX gain, offsetting £1.0m increase in amortisation.

Net debt decreased by £8.6m to £12.3m following the equity raise in H2 2023 which generated net proceeds of £9.8m after transaction costs of £0.7m. Inventory has continued to reduce due to actions taken within operations in addition to reductions in raw material prices and favourable movements in the GBP: USD exchange rate. This benefit was largely offset by a decrease in trade and other payables.

### Currency impact

Dialight reports its results in Pounds sterling. Our major trading currency is the US Dollar, which in H1 2023 comprised 86% of the Group's revenue. The average rate for GBP to USD moved from 1.18 in H2 2022 to 1.25 in H2 2023, with the closing rate increasing from 1.21 to 1.27. We have therefore presented the results on a constant currency and actual currency basis to show business performance without the impact of FX movements.

### Lighting segment

	6 months H2 2023 £m	6 months H2 2022 £m	Variance	H2 2022 at constant currency £m	Constant currency variance
<b>Lighting</b>					
Revenue	57.2	63.9	(10.5%)	60.6	(5.6%)
Gross profit	20.6	20.5	0.5%	19.3	6.7%
Gross profit %	36.1%	32.1%	400bps	31.8%	430bps
Overheads	(15.0)	(17.5)	14.3%	(16.4)	8.5%
<b>Underlying EBIT before unallocated costs</b>	<b>5.6</b>	<b>3.0</b>	<b>86.7%</b>	<b>2.9</b>	<b>93.1%</b>

  

	12 months 2023 £m	12 months 2022 £m	Variance	2022 at constant currency £m	Constant currency variance %
<b>Lighting</b>					
Revenue	112.4	121.0	(7.1%)	120.1	(6.4%)
Gross profit	38.1	40.6	6.2%	40.3	(5.5%)
Gross profit %	33.9%	33.6%	30bps	33.6%	30 bps
Overheads	(31.6)	(33.7)	6.2%	(33.4)	5.4%
<b>Underlying EBIT before unallocated costs</b>	<b>6.5</b>	<b>6.9</b>	<b>5.8%</b>	<b>6.9</b>	<b>(5.8%)</b>



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 segment saw a weaker than expected 2023 with customers continuing to exercise tight controls over spending, particularly within capex projects.

Full year US revenues declined by 6% (at constant currency) with market share gains in the MRO market helping to reduce the impact from weakness in the overall market and particularly the lack of larger capex spend. This has predominantly been due to inflationary pressures, shortages of key skills and economic uncertainty, resulting in projects being delayed. Additionally, 2022 benefited from a strong opening order book for the US whereas the opening 2023 position was c. 70% lower. The US order book has grown during 2023 which should support an improved 2024. EMEA continued to outperform expectations in H2 2023, achieving 5% growth in revenue on full year 2022 and a 21% increase its opening order book for 2024, helping to offset adverse performance within our Asia and Australia businesses.

Gross margins improved in H2 2023 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 last year that were consumed in the period. The level of improvement in H2 2023 helped to improve full year gross margins overall to 33.9% (2022: 33.6%), despite the £7.7m reduction in revenue, positioning the business for improved performance in 2024.

Operating costs were £2.5m lower when comparing H2 2023 to H2 2022, although these only decreased by £2.1m when comparing full year results. The decrease was due to restructuring savings, FX gains (with most costs incurred in USD), lower sales commissions and the settlement reached relating to IP charges.

This resulted in an underlying EBIT of £5.6m for 2023 H2 compared to an EBIT of £3.0m for 2022 H2 (2022 H2 CCY: £2.9m), bringing full year performance marginally below prior year at £6.5m underlying EBIT (2022: £6.9m).

## Signals & Components

	6 months H2 2023 £m	6 months H2 2022 £m	Variance	H2 2022 at constant currency £m	Constant currency variance
<b>Signals &amp; Components</b>					
Revenue	18.4	25.0	(26.4%)	23.6	(22.0%)
Gross profit	4.6	5.9	(22.0%)	5.6	(17.9%)
Gross profit %	25.0%	23.6%	140bps	23.6%	140bps
Overheads	(4.1)	(3.8)	(7.9%)	(3.5)	(17.1%)
<b>Underlying EBIT before unallocated costs</b>	<b>0.5</b>	2.1	(76.2%)	2.1	(76.2%)
	12 months 2023 £m	12 months 2022 £m	Variance	2022 at constant currency £m	Constant currency variance
<b>Signals &amp; Components</b>					
Revenue	36.4	48.7	(25.3%)	48.6	(25.1%)
Gross profit	8.8	14.0	(37.1%)	14.1	37.6%
Gross profit %	24.1%	28.7%	(460bps)	29.1%	(500bps)
Overheads	(8.0)	(8.3)	3.6%	(8.2)	(2.4%)
<b>Underlying EBIT before unallocated costs</b>	<b>0.8</b>	5.7	(86.0%)	5.9	(86.4%)

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

The previously highlighted cyclical downturn in the key OE market resulted in revenue decreasing by 26.4% (22% constant currency) when comparing 2023 H2 with 2022 H2. This resulted in a full year gross margin of 24.1%,

significantly below the 28.7% (29.1% constant currency) seen last year, due to lower absorption of fixed production costs and increased labour rates. Overheads for the 12 months were reduced to £8.0m from £8.3m in 2022 (constant currency 2022: £8.2m).

## Unallocated costs

Unallocated costs comprise costs not directly attributable to a segment. In H2 2023 they were £3.5m, an increase of £0.3m on H2 2022. Unallocated costs for the full year decreased to £7.2m from £7.6m. The key reductions were lower foreign exchange translational losses and employee variable pay, partially offset by higher professional fees.

## Non-underlying costs (note 4)

Non-underlying costs	6 months H2 2023 £'m	6 months H2 2022 £'m	12 months 2023 £'m	12 months 2022 £'m
Impairment of goodwill (note 3)	9.2	-	9.2	-
Costs related to manufacturing partner	0.8	0.2	1.1	1.0
Other litigation costs	0.2	0.4	0.3	0.4
Transformation costs	1.2	-	1.2	-
Impairment of capitalised development costs	-	1.3	-	1.3
<b>Total</b>	<b>11.4</b>	<b>1.9</b>	<b>11.8</b>	<b>2.7</b>

A review of goodwill was performed at 31 December 2023 which has resulted in an impairment of goodwill of £9.2m 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.

The Group has incurred £1.2m 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. The costs incurred in H2 2023 relate to resetting and realigning the Group's cost base. The multi-year transformation plan is a material, infrequent programme and is not considered to be part of the underlying performance of the business.

Costs of £1.1m were incurred in the 12-month period in relation to the ongoing litigation with Sanmina Corporation, following the termination of the manufacturing services agreement (MSA) in September 2018 (refer to note 14).

## Cash and borrowings

The Group ended 2023 with net bank debt of £12.3m, a decrease of £8.6m from December 2022. Net bank debt excludes liabilities related to the adoption of IFRS 16 Leases, as these are excluded for covenant testing purposes. The roll forward of net bank debt was as follows:

Net Bank Debt	£m
<b>Opening balance 01 January 2023</b>	<b>(20.9)</b>
Underlying EBITDA *	7.9
Inventory decrease	10.4
Net working capital excluding inventory	(9.3)
Provisions & other movements	(0.3)
Investment in R&D	(3.6)
Maintenance capex/other	(1.1)
Interest & tax paid	(4.1)
Equity raise – net of costs	9.8
Foreign exchange and non-underlying	(1.1)
<b>Closing balance at 31 December 2023</b>	<b>(12.3)</b>

\*Underlying EBITDA comprises underlying operating loss of £0.1m with depreciation of property, plant, and equipment of £3.2m and amortisation of £4.6m added back

The main factors behind the movement in net debt were:

- Reduction in inventory with raw materials used in production, lower work in progress and the benefit from changes in FX rates on USD denominated inventory
- Reduction in trade payables following payment for materials purchased in Q4 2022, supporting purchase price negotiations with key suppliers
- 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
- The translation of USD denominated borrowing back into Sterling has increased debt by £1.1m due to movements in the GBP: USD exchange rate exchange (from 1.21 to 1.27).

Gross bank debt was £21.9m offset by cash in hand of £9.6m (see note 10 for further details on bank borrowings). The interest expense of £2.7m is analysed in note 5.

### Banking and covenants

The Group's funding includes a revolving credit facility (RCF) of USD \$34m from HSBC, set to mature in July 2025, with options for two one-year extensions. Aligned with the Group's robust commitment to environmental, social, and governance (ESG) principles, the RCF facility operates as a sustainability-linked loan. As agreed, the Group has repaid the £10m COVID-19 Large Business Interruption Loan (CLBIL), with the final £2m repaid in the first half of 2023.

Group's banking covenants are tested quarterly, and the Group was fully compliant with its banking covenants during the period. The Group has a strong relationship with its primary bank, HSBC, with whom it maintains regular dialogue. Given the current volatility in market conditions, the Group secured a waiver for Q3 2023 and reset its covenants for Q4 2023.

### Tax

The tax credit of £3.6m for the 12 months period to 31 December 2023 reflects the anticipated effective tax rate of 25.0% for the period ending 31 December 2023. Non-underlying items have been taxed using the relevant tax rates. The effective tax rate reflects the current UK tax rate being increased to 25.0% and a US effective tax rate of 24.0%, with the remaining profit coming from countries with an average tax rate of 28%.

### 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 December 2023 equated to £65.4m (2022: £68.7m). The Board is not declaring an interim dividend payment for 2023 (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.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 31 December 2023

	Note	6 months ended 31 December 2023 £'m (unaudited)	6 months ended 31 December 2022 £'m (unaudited)	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
<b>Revenue</b>	2	<b>75.6</b>	88.9	<b>148.8</b>	169.7
Cost of sales		<b>(50.4)</b>	(62.5)	<b>(101.9)</b>	(115.1)
<b>Gross profit</b>		<b>25.2</b>	26.4	<b>46.9</b>	54.6
Distribution costs		<b>(11.2)</b>	(12.9)	<b>(23.7)</b>	(25.5)
Administrative expenses		<b>(22.8)</b>	(13.5)	<b>(34.9)</b>	(26.8)
<b>(Loss)/profit from operating activities</b>	2	<b>(8.8)</b>	-	<b>(11.7)</b>	2.3
<b>Underlying profit from operating activities</b>		<b>2.6</b>	1.9	<b>0.1</b>	5.0
Non underlying items	4	<b>(11.4)</b>	(1.9)	<b>(11.8)</b>	(2.7)
<b>(Loss)/profit from operating activities</b>		<b>(8.8)</b>	-	<b>(11.7)</b>	2.3
Financial expense	5	<b>(1.4)</b>	(1.1)	<b>(2.7)</b>	(1.8)
<b>(Loss)/profit before tax</b>		<b>(10.2)</b>	(1.1)	<b>(14.4)</b>	0.5
Income tax credit/(charge)	6	<b>2.6</b>	0.3	<b>3.6</b>	(0.1)
<b>(Loss)/profit for the period</b>		<b>(7.6)</b>	(0.8)	<b>(10.8)</b>	0.4
<b>(Loss)/profit for the period attributable to:</b>					
Equity owners of the Company		<b>(7.6)</b>	(0.8)	<b>(10.8)</b>	0.4
Non-controlling Interests		-	-	-	-
<b>(Loss)/profit for the period</b>		<b>(7.6)</b>	(0.8)	<b>(10.8)</b>	0.4
<b>Earnings per share</b>					
(Loss)/profit per share – basic and diluted	7	<b>(21.0p)</b>	(2.4p)	<b>(31.1p)</b>	1.2p

All results arise from continuing operations.

The accompanying notes form an integral part of these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2023

	6 months ended 31 December 2023 (unaudited)	6 months ended 31 December 2022 (unaudited)	12 months ended 31 December 2023 (unaudited)	12 months ended 31 December 2022 (audited)
<b>Other comprehensive income/(expense)</b>				
Exchange difference on translation of foreign operations	0.3	0.2	(3.3)	8.1
Income tax on exchange differences on transactions of foreign operations	-	(0.6)	-	(0.6)
	<b>0.3</b>	<b>(0.4)</b>	<b>(3.3)</b>	<b>7.5</b>
<b>Items that will not be reclassified subsequently to profit and loss</b>				
Remeasurement of defined benefit pension liability	-	0.3	-	0.3
Income tax on remeasurement of defined benefit liability	-	(0.1)	-	(0.1)
Other comprehensive (expense)/income for the period, net of tax	<b>0.3</b>	<b>(0.2)</b>	<b>(3.3)</b>	<b>7.7</b>
(Loss)/profit for the period	<b>(7.6)</b>	<b>(0.8)</b>	<b>(10.8)</b>	<b>0.4</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(7.3)</b>	<b>(1.0)</b>	<b>(14.1)</b>	<b>8.1</b>
<b>Attributable to:</b>				
- Owners of the parent	<b>(7.3)</b>	<b>(1.0)</b>	<b>(14.1)</b>	<b>8.1</b>
- Non-controlling interests	-	-	-	-
<b>Total comprehensive (expense)/income for the period</b>	<b>(7.3)</b>	<b>(1.0)</b>	<b>(14.1)</b>	<b>8.1</b>

The accompanying notes form an integral part of these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2023 (unaudited)

	Share capital	Merger reserve	Translation reserve	Capital redemption reserve	Share premium	Own shares	Retained earnings	Total	Non-controlling interests	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Balance at 1 January 2023</b>	0.6	0.5	17.5	2.2	1.0	(0.8)	47.5	<b>68.5</b>	0.2	<b>68.7</b>
Loss for the year	-	-	-	-	-	-	(10.8)	<b>(10.8)</b>	-	<b>(10.8)</b>
<b>Other comprehensive income:</b>										
Foreign exchange translation differences, net of taxes	-	-	(3.3)	-	-	-	-	<b>(3.3)</b>	-	<b>(3.3)</b>
Total other comprehensive expense	-	-	(3.3)	-	-	-	(10.8)	<b>(14.1)</b>	-	<b>(14.1)</b>
<b>Total comprehensive expense for the year</b>	-	-	(3.3)	-	-	-	(10.8)	<b>(14.1)</b>	-	<b>(14.1)</b>
<b>Transactions with owners, recorded directly in equity:</b>										
Issue of share capital (notes 11 and 12)	0.1	-	-	-	10.4	-	-	<b>10.5</b>	-	<b>10.5</b>
Transaction costs (note 12)	-	-	-	-	(0.7)	-	-	<b>(0.7)</b>	-	<b>(0.7)</b>
Share-based payments	-	-	-	-	-	-	0.9	<b>0.9</b>	-	<b>0.9</b>
Own shares released from EBOT and used for share-based payments	-	-	-	-	-	0.1	-	<b>0.1</b>	-	<b>0.1</b>
<b>Total transactions with owners</b>	0.1	-	-	-	9.7	0.1	0.9	<b>10.8</b>	-	<b>10.8</b>
<b>Balance at 31 December 2023</b>	0.7	0.5	14.2	2.2	10.7	(0.7)	37.6	<b>65.2</b>	0.2	<b>65.4</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2022 (audited)

	Share capital	Merger reserve	Translation reserve	Capital redemption reserve	Share premium	Own shares	Retained earnings	Total	Non-controlling interests	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Balance at 1 January 2022</b>	0.6	0.5	10.0	2.2	-	(0.7)	47.0	<b>59.6</b>	0.6	<b>60.2</b>
Profit for the year	-	-	-	-	-	-	0.4	<b>0.4</b>	-	<b>0.4</b>
<b>Other comprehensive income:</b>										
Foreign exchange translation differences, net of taxes	-	-	7.5	-	-	-	-	<b>7.5</b>	-	<b>7.5</b>
Remeasurement of defined benefit pension liability, net of taxes	-	-	-	-	-	-	0.2	<b>0.2</b>	-	<b>0.2</b>
Total other comprehensive income	-	-	7.5	-	-	-	0.2	<b>7.7</b>	-	<b>7.7</b>
<b>Total comprehensive income for the year</b>	-	-	7.5	-	-	-	0.6	<b>8.1</b>	-	<b>8.1</b>
<b>Transactions with owners, recorded directly in equity:</b>										
Share-based payments	-	-	-	-	-	-	0.5	<b>0.5</b>	-	<b>0.5</b>
Re-purchase of own shares	-	-	-	-	-	(0.1)	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Minority interest purchase (Note 16)	-	-	-	-	1.0	-	(0.6)	<b>0.4</b>	(0.4)	-
<b>Total transactions with owners</b>	-	-	-	-	1.0	(0.1)	(0.1)	<b>0.8</b>	(0.4)	<b>0.4</b>
<b>Balance at 31 December 2022</b>	0.6	0.5	17.5	2.2	1.0	(0.8)	47.5	<b>68.5</b>	0.2	<b>68.7</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 December 2023 £'m (unaudited)	31 December 2022 £'m (audited)
<b>Assets</b>			
Property, plant, and equipment		11.2	13.9
Right of use assets		8.1	10.5
Intangible assets	3	10.6	21.4
Deferred tax assets		5.8	2.4
Employee benefits		4.6	4.5
Other receivables		5.7	5.6
<b>Total non-current assets</b>		<b>46.0</b>	<b>58.3</b>
Inventories	9	40.7	53.6
Trade and other receivables		29.1	30.2
Income tax recoverable		0.3	0.6
Cash and cash equivalents		9.6	1.7
<b>Total current assets</b>		<b>79.7</b>	<b>86.1</b>
<b>Total assets</b>		<b>125.7</b>	<b>144.4</b>
<b>Liabilities</b>			
Trade and other payables		(26.8)	(37.3)
Provisions		(0.5)	(0.6)
Tax liabilities		(0.9)	(2.3)
Lease liabilities		(1.7)	(1.2)
Borrowings	10	-	(2.0)
<b>Total current liabilities</b>		<b>(29.9)</b>	<b>(43.4)</b>
Provisions		(1.3)	(1.6)
Borrowings	10	(21.9)	(20.6)
Lease liabilities		(7.2)	(10.1)
<b>Total non-current liabilities</b>		<b>(30.4)</b>	<b>(32.3)</b>
<b>Total liabilities</b>		<b>(60.3)</b>	<b>(75.7)</b>
<b>Net assets</b>		<b>65.4</b>	<b>68.7</b>
<b>Equity</b>			
Issued share capital		0.7	0.6
Merger reserve		0.5	0.5
Share premium		10.7	1.0
Other reserves		15.7	18.9
Retained earnings		37.6	47.5
		65.2	68.5
Non-controlling interests		0.2	0.2
<b>Total equity</b>		<b>65.4</b>	<b>68.7</b>

The accompanying notes form an integral part of these interim financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2023

	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
<b>Operating activities</b>		
(Loss)/profit for the period	(10.8)	0.4
Adjustments for:		
Financial expense	2.7	1.8
Income tax (credit)/expense	(3.6)	0.1
Share-based payments	0.9	0.5
Depreciation of property, plant, and equipment	3.2	2.9
Depreciation of right of use assets	2.1	1.8
Amortisation of intangible assets	4.6	4.4
Impairment losses on intangible assets	9.2	1.3
<b>Operating cash flow before movements in working capital</b>	<b>8.3</b>	<b>13.2</b>
Decrease (increase) in inventories	10.4	(6.7)
Increase in trade and other receivables	(0.5)	(1.1)
(Decrease) increase in trade and other payables	(8.8)	1.3
(Decrease) increase in provisions	(0.3)	0.3
Pension contributions in excess of the income statement charge	(0.1)	(0.4)
<b>Cash generated by operations</b>	<b>9.0</b>	<b>6.6</b>
Income taxes paid	(1.4)	(0.8)
Interest paid <sup>2</sup>	(2.7)	(1.8)
<b>Net cash generated by operations</b>	<b>4.9</b>	<b>4.0</b>
Capital expenditure	(1.1)	(3.4)
Capitalised expenditure on development costs and other intangible assets	(3.6)	(3.6)
Purchase of software and licenses	-	(0.2)
Purchase of 12.5% of Dialight Australia	-	(0.1)
<b>Net cash used in investing activities</b>	<b>(4.7)</b>	<b>(7.3)</b>
<b>Financing activities</b>		
Proceeds on issue of shares – net of issue costs (notes 11 and 12)	9.8	-
Drawdown of bank facility (note 10)	3.9	8.5
Repayment of bank facility (note 10)	(3.5)	(4.0)
Re-purchase of own shares	-	(0.1)
Repayment of lease liabilities <sup>1</sup>	(2.2)	(1.7)
<b>Net cash generated from financing activities</b>	<b>8.0</b>	<b>2.2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8.2</b>	<b>(1.1)</b>
Cash and cash equivalents at beginning of period	1.7	1.2
Effect of exchange rates	(0.3)	1.6
<b>Cash and cash equivalents at end of period</b>	<b>9.6</b>	<b>1.7</b>

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.

The accompanying notes form an integral part of these interim financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2023 (unaudited)

### 1. Basis of preparation and principal accounting policies

Dialight plc (the Company) provides sustainable, energy efficient and intelligent LED lighting technologies driving towards a net zero economy. Its primary market is North America, with smaller operations in EMEA and the rest of the world.

The Company has changed its year end from 31 December to 31 March. The interim financial statements include six months and twelve months results for period ending 31 December 2023 and corresponding comparatives.

The Company is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 2486024. Its registered office is at Leaf C, Level 36, Tower 42, 25 Old Broad Street, London EC2N 1HQ.

This condensed consolidated interim financial information was approved for issue on 19<sup>th</sup> February 2024 and has not been audited.

#### Statement of compliance

This condensed consolidated interim financial information for the 12 months ended 31 December 2023 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' (IAS 34). The condensed consolidated interim financial information should be read in conjunction with the financial statements for the 12-month period ended 31 December 2022, which have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

This condensed consolidated interim financial information for the period ended 31 December 2023, and the comparative information in relation to the period ended 31 December 2022, do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 12-month period ended 31 December 2022 were approved by the Board of Directors on 2 April 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

#### Going concern

The consolidated financial information is prepared on a going concern basis which the Directors believe to be appropriate for the reasons stated below.

The market conditions faced by the Group in 2023 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 Group enters 2024 with a solid order book and a strong pipeline of projects that are expected to lead to further orders providing cover for the second half.

The Group's financing arrangements consist of a \$34m revolving credit facility (RCF) with HSBC (which matures in July 2025 and contains options for two one-year extensions). In accordance with the Group's strong ESG commitment, the RCF facility is a sustainability linked loan. Net debt has decreased by £8.6m to £12.3m following the equity raise in the second half of 2023 which generated net proceeds of £9.8m after transaction costs of £0.7m.

## 1. Basis of preparation and principal accounting policies (continued)

### Going concern (continued)

Based on the Group's cashflow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from expected levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least 12 months from the date of approval of the interim financial information and will comply with all its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

### Sensitivity analysis

In assessing going concern, the Directors have prepared scenarios using managements forecast for 2024 and 2025. The base case scenario incorporates the latest trends on revenue growth, costs, and improved margins as a result of lower freight costs and improved purchasing power offset by pay increases in direct labour and increases to production overheads.

In a plausible downside scenario, the Directors have assumed that revenues reduce by 5% along with achieving 20% less improvements from efficiency projects mitigated through a reduction in discretionary staff costs. The scenario modelling also includes the potential for a negative outcome from the ongoing Sanmina litigation (see note 14).

In both scenarios, the Group has mitigating actions that can be put in place, including various temporary and permanent cost and cash reductions. Under both scenarios, the Directors consider that the Group will have sufficient funds to continue to meet its obligations for at least 12 months from the date of approval of these unaudited interim financial statements. Therefore, the adoption of the going concern principle in preparing these financial statements remains appropriate.

### Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to total expected annual earnings.

### Adoption of new and revised standards

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 31 December 2022.

During the period the Group has adopted the following new and revised standards and interpretations which have had no impact on these condensed consolidated financial statements:

- IFRS 17 Insurance Contracts;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12);
- Accounting Policies, Changes in Accounting Estimates and Errors: definition (Amendments to IAS 8);
- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.

### Estimates and judgements

In preparing these condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2022.

## 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 signalling 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.

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.

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

## 2. Operating segments (continued)

6 months ended 31 December 2023 (unaudited)	Lighting £'m	Signals & Components £'m	Unallocated £'m	Total £'m
Revenue	57.2	18.4	-	75.6
Gross profit	20.6	4.6	-	25.2
Overhead costs	(15.0)	(4.1)	(3.5)	(22.6)
<b>Underlying profit/(loss) from operating activities</b>	5.6	0.5	(3.5)	2.6
Non-underlying items (note 4)	(11.4)	-	-	(11.4)
<b>(Loss)/profit from operating activities</b>	(5.8)	0.5	(3.5)	(8.8)
Financial expense	-	-	(1.4)	(1.4)
<b>(Loss)/profit before tax</b>	(5.8)	0.5	(4.9)	(10.2)
Taxation	-	-	2.6	2.6
<b>(Loss)/profit after tax</b>	(5.8)	0.5	(2.3)	(7.6)

### Other segmental data

Depreciation of property, plant, and equipment	1.2	0.4	-	1.6
Depreciation of right of use asset	0.8	0.3	-	1.1
Amortisation of development costs	1.7	0.6	-	2.3
Impairment on intangible assets	9.2	-	-	-

6 months ended 31 December 2022 (unaudited)	Lighting £'m	Signals & Components £'m	Unallocated £'m	Total £'m
Revenue	63.9	25.0	-	88.9
Gross profit	20.5	5.9	-	26.4
Overhead costs	(17.5)	(3.8)	(3.2)	(24.5)
<b>Underlying profit/(loss) from operating activities</b>	3.0	2.1	(3.2)	1.9
Non-underlying items (note 4)	(1.9)	-	-	(1.9)
<b>Profit/(loss) from operating activities</b>	1.1	2.1	(3.2)	-
Financial expense	-	-	(1.1)	(1.1)
<b>Profit/(loss) before tax</b>	1.1	2.1	(4.3)	(1.1)
Taxation	-	-	0.3	0.3
<b>Profit/(loss) after tax</b>	1.1	2.1	(4.0)	(0.8)

### Other segmental data

Depreciation of property, plant, and equipment	1.0	0.4	-	1.4
Depreciation of right of use asset	0.7	0.2	-	0.9
Amortisation of development costs	2.5	-	-	2.5
Impairment on intangible assets	1.3	-	-	1.3

## 2. Operating segments (continued)

12 months ended 31 December 2023 (unaudited)	Lighting £'m	Signals & Components £'m	Unallocated £'m	Total £'m
Revenue	112.4	36.4	-	148.8
Gross profit	38.1	8.8	-	46.9
Overhead costs	(31.6)	(8.0)	(7.2)	(46.8)
<b>Underlying profit/(loss) from operating activities</b>	6.5	0.8	(7.2)	0.1
Non-underlying items (note 4)	(11.8)	-	-	(11.8)
<b>(Loss)/profit from operating activities</b>	(5.3)	0.8	(7.2)	(11.7)
Financial expense	-	-	(2.7)	(2.7)
<b>(Loss)/profit before tax</b>	(5.3)	0.8	(9.9)	(14.4)
Taxation	-	-	3.6	3.6
<b>(Loss)/profit after tax</b>	(5.3)	0.8	(6.3)	(10.8)

### Other segmental data

Depreciation of property, plant, and equipment	2.4	0.8	-	3.2
Depreciation of right of use asset	1.5	0.6	-	2.1
Amortisation of development costs	3.5	1.1	-	4.6
Impairment on intangible assets	9.2	-	-	-

12 months ended 31 December 2022 (audited)	Lighting £'m	Signals & Components £'m	Unallocated £'m	Total £'m
Revenue	121.0	48.7	-	169.7
Gross profit	40.6	14.0	-	54.6
Overhead costs	(33.7)	(8.3)	(7.6)	(49.6)
<b>Underlying profit/(loss) from operating activities</b>	6.9	5.7	(7.6)	5.0
Non-underlying items (note 4)	(2.7)	-	-	(2.7)
<b>Profit/(loss) from operating activities</b>	4.2	5.7	(7.6)	2.3
Financial expense	-	-	(1.8)	(1.8)
<b>Profit before tax</b>	4.2	5.7	(9.4)	0.5
Taxation	-	-	(0.1)	(0.1)
<b>Profit after tax</b>	4.2	5.7	(9.5)	0.4

### Other segmental data

Depreciation of property, plant, and equipment	2.1	0.8	-	2.9
Depreciation of right of use asset	1.3	0.5	-	1.8
Amortisation of development costs	4.4	-	-	4.4
Impairment of intangible assets	1.3	-	-	1.3

## 2. Operating segments (continued)

### 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 the 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

	6 months Ended 31 December 2023 £'m (unaudited)	6 months ended 31 December 2022 £'m (unaudited)	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
North America	58.9	71.2	116.7	132.7
EMEA	8.1	7.2	14.3	14.5
Rest of World	8.6	10.5	17.8	22.5
<b>Revenue</b>	<b>75.6</b>	<b>88.9</b>	<b>148.8</b>	<b>169.7</b>

## 3. Intangible assets

	Patents, licenses, and trademarks £'m	Goodwill £'m	Software licenses £'m	Development costs £'m	<b>Total £'m</b>
<b>Net book value at 1 January 2023</b>	2.0	9.2	0.7	9.5	<b>21.4</b>
Additions	0.8	-	-	2.8	<b>3.6</b>
Amortisation	(0.8)	-	(0.1)	(3.7)	<b>(4.6)</b>
Impairment	-	(9.2)	-	-	<b>(9.2)</b>
Effects of foreign exchange movements	(0.1)	-	-	(0.5)	<b>(0.6)</b>
<b>Net book value at 31 December 2023</b>	<b>1.9</b>	<b>-</b>	<b>0.6</b>	<b>8.1</b>	<b>10.6</b>

A review for impairment was performed at 31 December 2023 which has resulted in an impairment of goodwill of £9.2m being recognised. The recoverable amount of the Lighting segment based on value in use is £53.6m, which is the carrying value at the end of the year. In accordance with IFRIC 10 the impairment of goodwill recognised cannot be subsequently reversed. The impairment charge is material, non-cash, and non-operational related items and has therefore been excluded from underlying results (note 4).

The basis of the recoverable amount is the value in use using management's latest 5-year forecast. This forecast reflects the growth opportunities inherent in the business in the medium term, including enhanced 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.

### 3. Intangible assets (continued)

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

	<b>12 months ended 31 December 2023 £'m (unaudited)</b>	12 months ended 31 December 2022 £'m (audited)
Discount rate – pre tax	<b>19.0%</b>	17.9%
Terminal growth rate	<b>2.0%</b>	2.3%
Revenue 5-year growth rate range for lighting segment	<b>10%</b>	12-13%
Gross margin 5-year improvement	<b>6.4%</b>	6.8%
Stewardship allocation cost	<b>80%</b>	80%

### 4. Non-underlying items

The Group incurs cost and earns income that is non-recurring in nature or that, in the Director's judgement, should 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 profit or loss recorded within administrative expenses.

	<b>6 months ended 31 December 2023 £'m (unaudited)</b>	6 months ended 31 December 2022 £'m (unaudited)	<b>12 months ended 31 December 2023 £'m (unaudited)</b>	12 months ended 31 December 2022 £'m (audited)
Impairment of goodwill (note 3)	<b>9.2</b>	-	<b>9.2</b>	-
Costs related to manufacturing partner	<b>0.8</b>	0.2	<b>1.1</b>	1.0
Other litigation costs	<b>0.2</b>	0.4	<b>0.3</b>	0.4
Transformation costs	<b>1.2</b>	-	<b>1.2</b>	-
Impairment of capitalised development costs	-	1.3	-	1.3
<b>Non-underlying costs recorded in administrative expenses</b>	<b>11.4</b>	1.9	<b>11.8</b>	2.7

Please refer to note 3 for details of the impairment of goodwill.

During the 12-month period to December 2023 costs of £1.1m have been expensed (2022: £1.0m) relating to a legal claim with Sanmina, a manufacturing partner. Please refer to note 14 for further details of this claim. Other litigation costs of £0.3m for the year to 31 December 2023 (2022: £0.4m) relate to a contractual litigation case relating to the use of intellectual property which was concluded in 2023.

The Group has incurred £1.2m 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. 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 H2 2023 relate to resetting and realigning the Group's cost base.



## 4. Non-underlying items (continued)

The prior year's impairment related to the paused development of a new range of Obstruction products within the Lighting segment. During 2022, management explored several options to complete the development, including continuing internal development or utilising third party technology. The most likely option was to utilise third party components in the new product suite, as this would be quicker and allow Dialight to capitalise on market opportunities and gain market share. The change in strategy would not involve use of the Dialight developed technology, so the paused development cost of £1.3m was impaired in H2 2022 and the non-cash cost classified as non-underlying in accordance with Group accounting policy.

## 5. Financial expense

	6 months ended 31 December 2023 £'m (unaudited)	6 months ended 31 December 2022 £'m (unaudited)	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
Interest expense on lease liabilities	0.3	0.3	0.5	0.5
Interest expense on financial liabilities, except lease liabilities	1.0	0.6	2.0	1.1
Arrangement fee amortisation	0.1	0.1	0.2	0.1
Net interest on defined benefit pension liability	-	0.1	-	0.1
<b>Financial expense</b>	<b>1.4</b>	<b>1.1</b>	<b>2.7</b>	<b>1.8</b>

## 6. Income tax expense

The tax credits of £2.6m for the 6 month period to 31 December 2023 and of £3.6m for the 12 month period to 31 December 2023 reflect the anticipated effective tax rate of 25.0% for the period ending 31 December 2023. Non-underlying items have been taxed using the relevant tax rates. The effective tax rate reflects the current UK tax rate being increased to 25.0% and a US effective tax rate of 24.0%, with the remaining profit coming from countries with an average tax rate of 28%.

## 7. Earnings per share (EPS)

The calculation of the 6 month basic EPS at 31 December 2023 was based on a loss for the 6 month period of £7.6m (2022: £0.8m loss) and a weighted average number of ordinary shares outstanding during the 6 months ended 31 December 2023 of 36,413,997 (2022: 32,720,920), excluding the 204,838 own shares purchased by the Group to satisfy share awards (which includes 19,048 shares purchased in the 12 month period to 31 December 2023 for £43k).

The calculation of the 12 month basic EPS at 31 December 2023 was based on a loss for the 12 month period of £10.8m (2022: £0.4m profit) and a weighted average number of ordinary shares outstanding during the 12 months ended 31 December 2023 of 34,650,940 (2022: 32,574,576), excluding the 204,838 own shares purchased by the Group to satisfy share awards (which includes 19,048 shares purchased in the 12 month period to 31 December 2023 for £43k).

### Weighted average number of ordinary shares

	6 months ended 31 December 2023 '000 (unaudited)	6 months ended 31 December 2022 '000 (unaudited)	12 months ended 31 December 2023 '000 (unaudited)	12 months ended 31 December 2022 '000 (audited)
Weighted average number of shares	36,414	32,721	34,651	32,575
Dilutive effect of share options	699	292	699	656
Diluted weighted average number of shares	37,113	33,013	35,350	33,231

Earnings per share are provided below as the Directors consider that this measurement of earnings per share gives valuable information on the performance of the Group.

	6 months ended 31 December 2023 Per share (unaudited)	6 months ended 31 December 2022 Per share (unaudited)	12 months ended 31 December 2023 Per share (unaudited)	12 months ended 31 December 2022 Per share (audited)
Basic (loss)/profit per share*	(21.0p)	(2.4p)	(31.1p)	1.2p
Diluted (loss)/profit per share*	(21.0p)	(2.4p)	(31.1p)	1.2p

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

## 8. Dividends

There were no dividends declared or paid in the 12 months ended 31 December 2023. The Directors have not declared an interim dividend for 2023 (2022: nil).

## 9. Inventories

	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
Raw materials and consumables	15.7	22.7
Work in progress	11.8	11.9
Finished goods	13.0	18.8
Spare parts	0.2	0.2
<b>Total</b>	<b>40.7</b>	<b>53.6</b>

Inventories to the value of £61.9m (31 December 2022: £79.0m) were recognised as expenses in the period. The inventory reserve at the balance sheet date was £2.7m, which represents 6.3% of gross inventory (31 December 2022: 7.7%). The reserve was reduced by £1.9m due to utilisation in the period offset by a £0.6m addition.

The decrease in inventory since December 2022 was driven by management actions, reductions in raw material prices, improvements in shipping times and movements in the GBP:USD exchange rate that decreased inventory by c. £2.6m.

We continue to keep inventory levels and future commitments under close review and the Group remains focus on reducing the level of inventory held.

## 10. Borrowings

The Group's funding includes a revolving credit facility (RCF) of USD \$34 million from HSBC, set to mature in July 2025, with options for two one-year extensions. Aligned with the Group's robust commitment to environmental, social, and governance (ESG) principles, the RCF facility operates as a sustainability-linked loan. As agreed, the Group has repaid the £10 million Covid-19 Large Business Interruption Loan (CLBIL), with the £2 million repaid in the first half of 2023.

Quarterly evaluations ensure compliance with the Group's banking covenants, which, except for the temporarily waived additional covenant on the CLBILS loan concerning adjusted cash flow to debt service, were fully compliant during the period. In the third quarter of 2023, standard covenants were briefly reset for that quarter, returning to their original thresholds afterward. The RCF facility is subject to standard covenants, encompassing maximum leverage and minimum interest cover.

	12 months ended 31 December 2023 £'m (unaudited)	12 months ended 31 December 2022 £'m (audited)
Borrowings at the beginning of the period	22.6	16.9
Facility drawdown (RCF)*	3.9	8.5
Facility repayment (RCF)	(1.5)	-
Facility repayment (CLBILS)*	(2.0)	(4.0)
Interest accrued	2.7	1.1
Interest paid	(2.7)	(1.1)
Impact of revaluing USD borrowings	(1.1)	1.2
<b>Borrowings at the end of the period</b>	<b>21.9</b>	<b>22.6</b>

\*Re-presentation of 2022 CLBILS repayment and RCF drawdown, with no impact on overall borrowings statement

## 11. Share capital

	31 December 2023 Number (unaudited)	31 December 2023 £'m (unaudited)	31 December 2022 Number (audited)	31 December 2022 £'m (audited)
<b>Authorised:</b>				
Ordinary shares of 1.89p each	<b>39,828,141</b>	<b>0.7</b>	32,946,371	0.6
<b>Issued and fully paid:</b>				
At 1 January	<b>32,946,371</b>	<b>0.6</b>	32,610,025	0.6
Issued during the year	<b>6,881,770</b>	<b>0.1</b>	336,346	-
Own shares acquired in the year	-	-	-	-
<b>At 31 December</b>	<b>39,828,141</b>	<b>0.7</b>	<b>32,946,371</b>	<b>0.6</b>

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 £10.5 million. Share issue costs of £0.7m have been netted off against the share premium arising on the new share issue (see note 12).

## 12. Share premium account

	31 December 2023 £'m (unaudited)	31 December 2022 £'m (audited)
At 1 January	<b>1.0</b>	-
Minority interest purchase	-	1.0
Issued during the year	<b>10.4</b>	-
Share issues costs	<b>(0.7)</b>	-
<b>At 31 December</b>	<b>10.7</b>	<b>1.0</b>

## 13. Principal exchange rates

	6 months ended 31 December 2023 (unaudited)	6 months ended 31 December 2022 (unaudited)	12 months ended 31 December 2023 (unaudited)	12 months ended 31 December 2022 (audited)
<b>Average for the period</b>				
US Dollar	<b>1.25</b>	1.18	<b>1.24</b>	1.24
Canadian Dollar	<b>1.69</b>	1.57	<b>1.68</b>	1.61
Euro	<b>1.16</b>	1.15	<b>1.15</b>	1.17
Mexican Peso	<b>21.68</b>	23.42	<b>22.04</b>	24.87

	31 December 2023 (unaudited)	31 December 2022 (audited)
<b>Spot rate</b>		
US Dollar	<b>1.27</b>	1.21
Canadian Dollar	<b>1.69</b>	1.64
Euro	<b>1.15</b>	1.13
Mexican Peso	<b>21.60</b>	23.53

## 14. 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 20th 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 December 2023, Dialight has not made any provision for future legal costs.

The claim filed by Dialight alleged that Dialight suffered significant costs and losses (with total potential damages of approximately \$220m) as a result of: (a) Sanmina's fraudulent inducement of Dialight to enter into the MSA; (b) Sanmina breaching the terms of the MSA in a willful and/or grossly negligent manner (for example in respect of their failure to appropriately manage supply chain and inventory levels and to deliver product on time and free of workmanship defects); and, (c) Sanmina's gross negligence and/or willful misconduct in the performance of its duties owed to Dialight. If Sanmina's claim is successful, the range of outcomes could include the payment by Dialight to Sanmina of between \$0 and \$8.3m (excluding legal costs and judicial interest, 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 \$0 and c. \$220m (excluding legal costs and judicial interest).

## 14. Contingencies (continued)

### Sanmina litigation (continued)

Sanmina lodged a motion for summary judgment 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 judgment 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 \$5.3m accounts receivable claim. The Court's ruling on Sanmina's motion for reconsideration was released to the parties under seal on 28 November 2023 where the court: (a) stated that 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) stated that otherwise Sanmina's motion for reconsideration was denied; and, (c) affirmed its prior opinion denying Sanmina's motion for summary judgment on its accounts receivable claim.

Dialight's fraudulent inducement claim, together with various claims and counter-claims relating to excess and obsolete inventory, accounts receivable and accounts payable, will now proceed to trial, and Dialight will continue to rigorously pursue its claims. A trial date has been set for 15 July 2024, subject to any further motions, appeal processes and/or mediation, and is anticipated to last for 10 days. Open court documents, including the ruling and pleadings in respect of the motion for summary judgment, 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/](http://www.dialight.com/ir/shareholder-information/sanmina-litigation/).

### 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.

## 15. Related party transactions

There have been no changes in the nature of related party transactions from those described in the 2022 Annual Report that could have a material effect on the financial position or performance of the Group in the period to 31 December 2023 (see also note 16 below).

## 16. Interest in other entities

### Transaction with non-controlling interest

In May 2022, the Group acquired a further 12.5% share of its subsidiary Dialight ILS Australia Pty Ltd ('Dialight Australia') for consideration of £1m satisfied by issuing 266,958 shares and up to £0.1m in cash, plus £0.1m in costs. This increased ownership to 87.5%. Immediately prior to the transaction, the carrying amount of the 25% non-controlling interest in Dialight Australia was £0.7m. The Group has recognised a decrease in non-controlling interest of £0.4m and a decrease in equity attributable to the parent of £0.8m. Incremental costs that were directly related to changes in ownership interest were deducted from equity. The effect on Group equity is summarised as:

	6 months ended 31 December 2023 £m (unaudited)	6 months ended 31 December 2022 £m (unaudited)	12 months ended 31 December 2022 £m (unaudited)	12 months ended 31 December 2022 £m (audited)
Carrying amount of non-controlling interest acquired	-	-	-	0.4
Consideration paid to non-controlling interest	-	-	-	(1.0)
Incremental costs directly attributable to the transaction	-	-	-	(0.2)
Excess of consideration paid less costs recognised in transactions with non-controlling interests within equity	-	-	-	(0.8)

There were no transactions with non-controlling interests in 2023.

## 17. Principal and emerging risks

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 principal risks and uncertainties affecting the business activities of the Group for the 12 months to 31 December 2023 remain as listed on pages 74 to 79 of the Annual Report for the year ended 31st December 2022 (which can be found at [www.dialight.com](http://www.dialight.com)) with the inclusion of an additional risk in relation to the achievement of the transformation plan.

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.

- **Organic growth** - The risk of stagnation of growth where the product portfolio is not renewed, where there is any failure to identify customer requirements (including pricing sensitivity and economic models), and the risk of concentration of certain verticals and/or geographical markets.
- **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 arising from geological, biological, economic and/or political events may impact the Group's ability to operate and the demand for its products.

## 17. Principal and emerging risks (continued)

- **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. The Group reports in Sterling; however, the majority of its revenues cost base and borrowings are in US Dollars. Fluctuations in exchange rates between Sterling and US Dollar could cause profit and balance sheet volatility.
- **Transformation plan** - Key projects and programmes could fail to deliver, resulting in missed market opportunities, and/or take longer to deliver, resulting in missed synergies and savings.
- **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.
- **Cyber and data systems** - Disruption to business systems would have an adverse impact on the Group. The Group also needs to ensure the protection and integrity of its data. With the Group's dispersed international footprint, increasing automation and increased homeworking following COVID-19 there is greater risk of impact on IT infrastructure/communications between employees.
- **Product development strategy** – Inability to translate market requirements into profitable products. Failure to deliver technologically advanced products and to react to disruptive technologies.
- **Product risk** – The Group gives a 10-year warranty on Lighting products which are installed in a variety of high-risk environments. Risks could arise in relation to product failure and harm to individuals and damage to property.
- **Talent and diversity** - The Group performance is dependent on attracting and retaining high-quality staff across all functions.
- **Intellectual property** – Theft or violation of intellectual property (“IPR”) by third parties or third parties taking legal action for IPR infringement.
- **Geopolitical / macro-economic impacts** - The Group faces a range of external geo-political, socio-political, and macro-economic risks which, after a period of relative calm in global markets, have recently emerged as significant potential disruptors. In particular, the Group sources a significant number of key components from China.

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.



## Directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first 12 months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 3 months of the financial period; and
- material related-party transactions in the first 12 months and any material changes in the related-party transactions described in the last annual report.

On behalf of the Board

**Steve Blair – Group Chief Executive**

**Carolyn Zhang – Group Chief Financial Officer**

The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS).

International Accounting Standard 34 (IAS 34), defines the minimum content of an interim financial report, including disclosures, and identifies the accounting recognition and measurement principles that should be applied to an interim financial report.

Directors are also required to:

- select suitable accounting policies and then apply them consistently; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements under IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.