DIALIGHT PLC ANNUAL REPORT AND ACCOUNTS 2024

Dialight

Contents

Performance at a glance

FINANCIAL PERFORMANCE*

GROUP REVENUE

$226.0M

2022: US $209.8m

NET DEBT*

$16.4M

2022: US $25.4m

INVENTORY

$49.1M

2022: US $64.8m

UNDERLYING GROSS MARGIN*

31.0%

2022: 32.1%

UNDERLYING EBIT*

$(4.6)M

2022: US $6.1m

PROFIT/(LOSS)

$(32.5)M

2022: US $0.5m

NON-FINANCIAL PERFORMANCE

REDUCTION IN SCOPE 1 & 2 EMISSIONS PER US $M OF REVENUE

13%

REDUCTION IN WATER INTENSITY PER US $M OF REVENUE

7%

* 2023 figures refer to the 15-month period ended 31 March 2024. 2022 refers to the 12-month period ended 31 December 2022. Certain financial information set out in the financial statements and Annual Report is not defined under International Financial Reporting Standards. These key Alternative Performance Measures represent additional measures in assessing performance. These are reconciled in Note 27 to the financial statements.

Our business at a glance

WHO WE ARE

At Dialight we are playing our part in building a fairer and more resilient world for generations to come. We are committed to being a net zero company by 2040, and see the transition as both an opportunity and an obligation to help drive meaningful change in the industrial sector.

WHAT WE DO

Dialight has been an LED company for over 50 years, with all our products developed in-house. We offer the largest selection of cutting-edge LED lighting products to suit virtually any industrial application. Our controls seamlessly integrate with existing factory and building automation solutions.

Our business at a glance continued

OUR CORE VALUES

WE ARE CUSTOMER-CENTRIC
It's easy to work with Dialight. We build trust through integrity and transparency, engaging with each customer to understand and help them achieve their goals.

DELIVERING VALUE IN EVERYTHING WE DO
We are accountable for delivering value by mitigating risk and identifying opportunities for improvement. We simplify and connect processes to improve efficiency and productivity, and are building a sustainable supply chain to meet stakeholder expectations – improving service and quality, and reducing waste.

CREATING STAKEHOLDER VALUE
We optimise access to capital, capital efficiency, and working capital. We analyse our finances thoroughly, to improve margins and drive smart business decisions – delivering sustainable profitability. We provide reporting based on integrity and transparency.

EMPOWERMENT AND ACCOUNTABILITY
We expect accountability for delivery from our people and those we work with. We treat each other with respect, care and empathy – supporting a culture of innovation, collaboration, continuous learning and professional development. We listen, learn from mistakes, and contribute – acting as a team with a single goal.

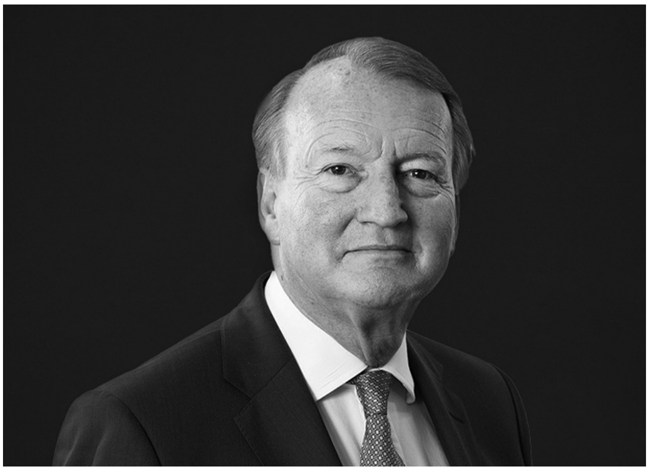
DRIVING TRANSFORMATIONAL CHANGE
We are adaptable in the face of change, with a long-term view. We are open to new ideas, have the courage to express them, and question conventional ways of doing things – always looking for better, more sustainable approaches that increase value for our business.

OUR TWO DIVISIONS

LED INDUSTRIAL LIGHTING
Our range of LED Industrial Lighting is aimed at a market still dominated by older, more inefficient technologies. With low levels of conversion to LED, the catalyst for mass conversion is increased energy savings, lower maintenance costs and increased regulation to phase out older technologies.

SIGNALS & COMPONENTS
This division has a diverse range of products with extended life-cycle opportunities in both mature markets and fast-growing markets for medical and wearable technology. This division uses LED lights in a variety of safety products and as performance status indicators.

Chair's statement



"WE NOW HAVE A REAL OPPORTUNITY FOR GROWTH IN THE MEDIUM TERM. WE HAVE A COMPETENT MANAGEMENT TEAM RUNNING THE BUSINESS, A STRONG PRODUCT PORTFOLIO, AND EXCELLENT RELATIONSHIPS WITH OUR CUSTOMERS."

Neil Johnson
Chair

My first year as Chair of the Board has not been without its challenges, with an enormous amount of rapid change throughout the business. Dialight is in a stronger position as we enter 2024 – having made significant changes to restructure the Board and launched a significant transformation plan, we are seeing the first signs of improvement coming through.

We have also made two important changes to our reporting. Firstly, our year end has moved from December to March, giving us better visibility of our performance throughout the year and helping us navigate our industry's seasonal ups and downs. In addition, we are now reporting in USD rather than GBP, because it is the dominant currency of our organisation. You can read more about both of these changes in more detail in the CFO review, starting on page 25.

With global supply chain issues hopefully behind us, we now have a real opportunity for growth in the medium term. We have a competent management team running the business, a strong product portfolio, and excellent relationships with our customers.

In September, we introduced our transformation plan. In its simplest terms, our plan is to refine and automate processes at our existing facilities, work in a more collaborative fashion, and bring new products to market that are aligned with our customers' needs. You can read more on page 08.

As a Board, we are committed to strengthening partnership and collaboration across the business: with our people, by breaking down silos; with our customers, by getting even closer to them; and with our shareholders, by seeking their feedback and recommendations.

This approach has already received hugely positive feedback from our employees, who are excited about the change in tempo throughout the organisation. From shop floors in Mexico, Malaysia and North Carolina right through to our head office, our people are on board with the journey we are on together.

Our transformation plan is backed by our major shareholders, who injected US $12.9m in 2023 to enable us to execute our plans. I would like to thank them for their continued patience, understanding and support throughout the year, and look forward to maintaining those relationships long into the future.

In January, we began restructuring the Board. First, we brought in Carolyn Zhang – an excellent strategist based in the United States with a global manufacturing background – as Chief Financial Officer. Former CFO Clive Jennings left his role in September, and Carolyn has fitted into the organisation perfectly.

Then, in February, we also announced the appointment of Steve Blair as Chief Executive Officer, replacing the departing Fariyal Khanbabi. Steve first joined the Board as Senior Independent Director in June 2023 and is a highly competent engineer who has led both large and small high-tech businesses. He has a track record of turnaround and delivery and will bring control, accountability and discipline to the Dialight business.

I was delighted to welcome both Steve and Carolyn, who bring fresh eyes and new talent to the Board at a very exciting time for the business. Nigel Lingwood and Lynn Brubaker remain important and valued members of the Board.

I would like to take this opportunity to thank my predecessor David Thomas and the previous Board, for their commitment to Dialight over the years.

As part of this restructuring, we also recognised that our de facto headquarters should be in Farmingdale, New Jersey, rather than the UK – 80% of our business is in North America, alongside a large proportion of our workforce. In the UK, we have moved to a smaller listed-entity office in London.

On behalf of the Board, I would like to thank our customers, suppliers and shareholders for their confidence and trust in us despite challenges throughout the year – and look forward to delivering for all our stakeholders as we continue to build a more resilient, more successful business.

Neil Johnson
Chair
29 July 2024

Chief Executive Officer's review

"THROUGH ACCOUNTABILITY, DISCIPLINE, COMMITMENT AND INTEGRITY WE ARE HELPING EVERY PERSON UNDERSTAND THEIR CONTRIBUTION TO THE BUSINESS, REMOVING SILOS AND SETTING THE BUSINESS ON A PATH FOR GROWTH."

Steve Blair
Chief Executive Officer

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

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

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

We have refocused the business in alignment with the core values that the leadership team have collaboratively developed in recent months – and that are outlined on page 03. We are confident this will help bring success to Dialight going forward. The opportunities are significant, it is for us to maximise what we achieve and when.

TRANSFORMING THE ORGANISATION

In September 2023 we announced a transformation plan – see page 08 for further detail – that will see us streamline the Group, reset cost and productivity, and accelerate growth in lighting. We are executing on that plan with a new self-help strategy further developed in early 2024, comprising four key pillars:

1. Winning hearts and minds

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

2. Sales transformation

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

3. Operational transformation

We will streamline processes and optimise our production capabilities.

4. Margin improvement and cash generation

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

WINNING HEARTS AND MINDS

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

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

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

We have also started holding regular meetings between all sales regions and our engineering and development teams, to better inform decisions about future product requirements and opportunities for cost improvement. We have two teams looking at the engineering change order (ECO) and order input and quotation processes, based on the feedback we have received.

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

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

Chief Executive Officer's review continued

SALES TRANSFORMATION

Top-line growth is the key to our future success – and especially to the short-term recovery of the business. We are transforming globally to ensure all teams are using the same tools and approach, breaking down silos and improving collaboration.

By being better organised internally, and by working more effectively with our customers, we can deliver more value to the business – generating more orders with greater predictability.

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

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

OPERATIONAL TRANSFORMATION

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

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

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

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

MARGIN IMPROVEMENT AND CASH GENERATION

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

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

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

Steve Blair
Chief Executive Officer

29 July 2024

Our business model

WHAT WE DO

Dialight develops market-leading, sustainable LED products for the industrial markets – helping our customers reduce their carbon emissions and provide a safer working environment for their people.

Our revenue mainly derives from the sale of lighting fixtures, both via distribution channels and direct to the end customer, using our highly technical sales force.

Our factories operate lean processes supported by our robust supply chain and relationships with key suppliers, and we build strong relationships with our global distributor network and end customers.

We certify our products using EN 15804 with independently verified Environmental Product Declarations.

THE VALUE WE CREATE

- Our aim is to deliver long-term value for **our shareholders** by developing market-leading, sustainable products in a market with very low penetration. We carefully balance the need for investment, working capital and shareholder returns.
- We provide a creative working environment for **our employees** with scope for individual responsibility and personal achievement. We help them develop their skills and provide competitive rewards linked to performance.
- We work closely with **our customers** to understand and meet their objectives, including reducing their carbon footprint by lowering their energy and maintenance costs.
- We create jobs for **local communities** around the world, supporting local supplier development and delivering economic benefits – as well as supporting disadvantaged local people through the Dialight Foundation.
- We support **local economies** by creating employment, paying local taxes and stimulating local economic prosperity.

Our transformation plan at a glance

In September, with the support of the Board, Dialight announced its transformation plan – reconfirming the significant opportunities in the growing industrial LED lighting market, and the potential for the Group to realise increased growth and improved profitability.

The plan is designed to address legacy issues associated with excess cost and complexity within the organisation, while at the same time focusing more resources on the most attractive growth opportunities within the core LED lighting market.

The transformation plan has the potential to increase growth and profitability materially in the medium term, delivered through numerous initiatives, structured around three key objectives: **streamlining the Group; resetting cost and productivity; and accelerating growth in lighting.**

STREAMLINING THE GROUP

While our proprietary technology and commercial strategy have enabled us to establish leading positions in a number of attractive LED lighting markets, supporting high levels of growth over recent years, profitability and cash generation have been poor.

The new Board's review of the Group's strategy and operations this year has identified several underlying factors it believes have contributed to disappointing performance:

- A fragmented organisation comprising five distinct service offerings
- A manufacturing footprint with lower-than-ideal levels of automation
- A product range that is too broad and complex
- An ageing product portfolio in certain areas

To address each of these challenges, the Group needs to be both simplified and more focused. We are reviewing the Group's businesses, with any deemed non-core to be exited, reviewing manufacturing operations and investing in increased automation at key sites. We are also realigning our cost base to befit a more streamlined business, reducing and standardising our product range, and narrowing and consolidating our supply chains.

RESETTING COST AND PRODUCTIVITY

Dialight's footprint across Mexico, the US and Malaysia helps 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 product range and realigning the flows through our site network will be part of streamlining the business.

We also see the potential for significant productivity and cost benefits to be realised through increasing the automation of our manufacturing processes. Today, many of our manufacturing processes are excessively labour-intensive, which has resulted in rapid cost escalation in the past two years as wage inflation has accelerated. Against this backdrop, automation represents a significant improvement opportunity.

ACCELERATING GROWTH IN LIGHTING

The industrial LED lighting market 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.

We are seeing a rapid evolution in technology as customers seek ever-increasing levels of productivity and efficiency from their sites. We believe our key areas of product differentiation, technology expertise, open architecture and excellent customer relationships make us well-placed to be a leader in this technological evolution – and we are expanding our commercial strategy to capitalise on this opportunity.

Further, we see scope to monetise our specific technology expertise by selling component elements of this – power supply topology, for example – as separate products into markets where we do not currently operate. And we are focusing additional resources into developing fixture products with integrated monitoring or control components for specified higher-value customer applications.

Key performance indicators*

GROUP REVENUE (US $M)

$226.0m

2023 226.0

2022 209.8

Description
Revenue from sales.

Definition
Revenue from continuing operations and organic growth.

Remuneration linkage
Revenue growth is a key element in achieving short-term and long-term incentive targets.

Target
Year on year revenue growth.

Link to Strategy
Profitable revenue growth is essential to long-term success.

UNDERLYING EBIT (US $M)

$(4.6)m

2023 (4.6)

2022 6.1

Description
The underlying EBIT related to the performance of the underlying business.

Definition
Operating profit of the business excluding items that are considered as not reflective of the underlying performance of the business (see note 6).

Remuneration linkage
Underlying EBIT is one of the main measures used in short- and long-term incentive targets.

Target
For 2024 the target was consensus underlying EBIT at the start of the year, which was US $6.3m.

Link to Strategy
The key measure of the success of our near-term strategic goals is growth in underlying EBIT.

CASH GENERATED BY OPERATIONS (US $M)

$13.3m

2023 13.3

2022 7.9

Description
The ability to turn profits into cash.

Definition
Cash generated by operations is defined as the operating cash flow after working capital movements.

Remuneration linkage
Cash generation does not directly link to remuneration but impacts net debt which is directly linked.

Target
Year-on-year growth.

Link to Strategy
Cash generation is critical to support our growth ambitions.

* 2023 figures refer to the 15-month period ended 31 March 2024. 2022 refers to the 12-month period ended 31 December 2022 Certain financial information set out in the financial statements and Annual Report is not defined under International Financial Reporting Standards. These key Alternative Performance Measures represent additional measures in assessing performance. These are reconciled in Note 27 to the financial statements.

Key performance indicators* continued

NET DEBT (US $M)

$16.4M

2023	16.4
2022	25.4

Description
To manage the Group's borrowings within the available facilities.

Definition
Long- and short-term borrowings less cash in bank.

Remuneration linkage
Net debt is directly linked to remuneration to ensure the business maintains adequate headroom against its bank facilities.

Target
For 2024 the target was consensus net debt at the start of the year, which was US $22.1m.

Link to Strategy
Net debt is a critical measure to ensure the business has sufficient liquidity to support growth ambitions.

LIGHTING ORDERS (US $M)

$171.1M

2023	171.1
2022	149.6

Description
Orders received for Lighting products.

Definition
Total orders received for Lighting products in the year.

Remuneration linkage
Order growth drives revenue which in turn drives EBIT, which forms part of the remuneration targets.

Target
Year-on-year order growth.

Link to Strategy
Order growth is a lead indicator of the financial strength of our end markets.

LIGHTING UNDERLYING GROSS PROFIT (US $M)

$57.6M

2023	57.6
2022	50.2

Description
The gross profit related to the performance of the underlying Lighting business.

Definition
Gross profit of the Lighting business excluding items that are considered not reflective of the underlying performance of the business (see note 6).

Remuneration linkage
Lighting gross profit expansion is a key part in achieving increased EBIT and short- and long-term incentive targets.

Target
We target year-on-year expansion of Lighting gross profit.

Link to Strategy
One of the key near-term strategic goals is to build a robust and scalable operational platform. Lighting gross profit is a good indicator of the success of this target.

* 2023 figures refer to the 15-month period ended 31 March 2024. 2022 refers to the 12-month period ended 31 December 2022 Certain financial information set out in the financial statements and Annual Report is not defined under International Financial Reporting Standards. These key Alternative Performance Measures represent additional measures in assessing performance. These are reconciled in Note 27 to the financial statements.

Sustainability at Dialight

ENVIRONMENTAL

RESPONSIBILITY

We are a sustainability business not just in our own operations but by providing the products that enable our customers to make their businesses sustainable and achieve net zero. Today, the emissions avoided by customers switching to our highly efficient LED lighting (compared to inefficient legacy lighting) more than outweigh the emissions from production and use of our lighting. The more lights that we sell, the greater is the overall benefit to society through avoided emissions.

MEASURING OUR ENVIRONMENTAL IMPACT

In order to manage our environmental impact, we measure various aspects of it, as follows:

- The emissions from the sourcing of materials
- The internal impacts from production and internal operations
- The impact of distribution to the end customer
- The impact of electricity usage by the customer
- The emissions avoided by our customers switching to LED
- The end-of-life impact

These form part of our environmental reporting on page 12. This allows us to focus our efforts on the aspects that have the potential to generate the largest emissions reductions.

The largest environmental impact comes from the emissions avoided by our customers, so the more efficient we can make our lights; the greater will be the benefit to society.

The next largest element relates to the size of the lighting fixtures and the types of materials used. The smaller the fixture, the lower the materials emissions.

The impact of logistics inbound and outbound is largely out of our control, until there is a widely available portfolio of decarbonised freight transport. We look to localise the supply chain where possible and review our operating locations, but this also brings the risk of disrupting manufacture and therefore impacting the quantum of avoided emissions.

Our internal operations are not very resource intensive and therefore the benefits from reductions will be quite small.

Sustainability at Dialight continued

ENVIRONMENTAL REPORTING

Over the past few years we have invested time in understanding our existing carbon footprint and looking at reduction plans. We used 2020 as our baseline year and performed our first full Green House Gas (GHG) inventory (excluding the emissions from customer usage). Our figures for the 15 month period ending 31 March 2024 have been externally verified to a limited level of assurance in accordance with ISO 14064.

The basis of the emission calculations varies depending on the emission type. Scope 1 and 2 emissions relate primarily to electricity and gas usage and the quantities used were mainly extracted from utility bills with a relevant emission factor by geography applied to derive the emissions.

Scope 3 and 4 emissions have not been calculated for the 15 month period ending 31 March 2024, due to the loss of resources which the Company has had in prior years.

USAGE DISCLOSURES

		CO_2e	**15 month period ending 31 March 2024**	12 month period ending 31 Dec 2022**	15 month period ending 31 Dec 2021	15 month period ending 31 March 2024 vs 2022
Scope 1	Emissions from combustion of fuel	Tonnes	**1,388**	1,663	1,188	17%
Scope 2	Emissions from location based purchased electricity	Tonnes	**4,728**	4,876	4,377	3%
Scope 3*	Emissions from all other activities except customer usage	Tonnes		120,147	100,820	
	Total excluding customer-related emissions	**Tonnes**		**126,686**	**106,385**	
Scope 3*	Emissions from customer usage***	Tonnes		1,099,000	882,000	
	Total emissions using GHG Protocol	**Tonnes**		**1,225,686**	**988,385**	
	Emissions if customers did not convert to LED**	Tonnes		3,189,000	2,496,000	
Scope 4*	Emissions avoided by customers***	Tonnes		(2,090,000)	(1,614,000)	
	Net emissions impact* **	**Tonnes**		(1,963,314)	(1,507,615)	

Consumption	15 month period ending 31 March 2024		**15 month period ending 31 March 2024 m's**	12 month period ending 31 Dec 2022 m's	12 month period ending 31 Dec 2021 m's	Variance m's
	Electricity	kWh	**12.2**	12.1	11.0	(0.1)
	Water	litre	**14.2**	14.2	14.6	0.0

* Scope 3 and 4 not calculated for 15 month period ending 31 March 2024, due to loss of resources.
** There were some minor changes to 2022 reported numbers during the verification process after the Annual Report.
***Internal calculations, net emissions impact is 2,090k (1,099k less 3,189k) of net customer benefit less 127k (all other processes).

Sustainability at Dialight continued

EMISSIONS AVOIDED BY CUSTOMERS

One of the major advantages of LED lighting is that it is up to 70% more efficient than traditional lighting and therefore generates significant electricity savings and reductions in emissions.

TARGETS

Our targets for the 15 month period ending 31 March 2024 were to reduce Scope 1 & 2 (combined) by 3% pa (per US $m of revenue). Our other target was to reduce water consumption by 5% per US $m of revenue. Both targets were exceeded in the 15 month period ending 31 March 2024.

INTENSITY RATIOS

Our actual intensity ratios for the 15 month period ending 31 March 2024 showed improvements over 2022. Gas consumption (Scope 1) decreased and for electricity (Scope 2), we got the benefit of production not being resource intensive so the 8% increase in revenue could be delivered with an intensity reduction. For water, we put specific actions in place in Mexico to reduce the water usage.

REPORTING THROUGH OTHER ROUTES

We complete the Carbon Disclosure Project ("CDP") questionnaire annually in which we give details of Scope 1 and 2 and water management. Our submission is public and can be viewed via the CDP website. Our climate change rating in 2023 was B and water security was C.

In addition, we publish three-year environmental data and SASB Electronic Manufacturing Services compliance data in our Sustainability Report available on our website.

Consumption per US $ of turnover		**15 month period ending 31 March 2024**	12 month period ending 31 Dec 2022*	Variance
Revenue		**226.0**	209.8	8%
Scope 1	Tonnes/US $m revenue	**6.1**	7.9	23%
Scope 2	Tonnes/US $m revenue	**20.9**	23.2	10%
Scope 1 and 2 combined	Tonnes/US $m revenue	**27.1**	31.2	13%
Electricity	MWh/US $m revenue	**54.2**	57.7	6%
Water	Kilo litre/US $m revenue	**62.8**	67.7	7%

* There were some minor changes to 2022 reported numbers during the verification process after the Annual Report.

Sustainability at Dialight continued

SOCIAL

There are three main groups of people we consider in our operations:

1. SAFETY AND WELLBEING OF OUR PEOPLE

We have a moral obligation to ensure the safety and wellbeing of all our staff.

As a business at the leading edge of industrial LED technology, people are at the heart of our business. We support all our people by creating a safe, inclusive environment, where every individual is able to work and contribute to the development of the business.

Having engaged, motivated, empowered and appropriately skilled employees is integral to our success. Developing a high-performing and inclusive culture is a key enabler in our ability to deliver strategic growth.

Safe working environment

Our target is zero recordable accidents at all our sites as a morally responsible business objective. As a producer of lighting that is used in heavy industrial and hazardous locations, our safety focus extends beyond our own staff to those of our customers.

All new staff receive safety briefings in local languages before commencing work. Safety is reinforced through the use of bulletin boards and videos in communal areas.

At operational sites PPE equipment is provided free. We have created a culture that has a strong focus on safety.

All near misses are investigated to establish root cause and implement actions to prevent recurrence.

Accident rates

In the 15 month period ending the 31st March 2024 there were unfortunately five recordable incidents and 300 near misses. We take these incidents very seriously and have the following in place.

- Safety footwear is compulsory at all operational sites
- Eye protection is mandatory on the production floor
- Hi-vis clothing is obligatory in warehouses and any locations where moving vehicles are present

2. OUR PEOPLE AND THE COMMUNITIES IN WHICH WE OPERATE

In order to have a sustainable business, we must protect local communities.

Engaging with our people

As a global business operating across different time zones, we use a range of formal and informal channels to communicate with staff.

These include a monthly all-employees updates from the CEO, all-hands meetings, smaller team briefings, employee forums, and direct email addresses. In addition, the factory sites also use notice boards and TV screens in communal areas that play corporate updates in local languages.

Development and training

As a business that relies heavily on R&D, we understand that development is the cornerstone of the drive to continuously improve the quality of our business.

Our colleagues are involved in performing a huge number of often complex processes and procedures and work continues to ensure high levels of operator competence throughout the organisation. Individuals across the organisation are encouraged to undertake continuing professional development to ensure that their expertise and knowledge remains up to date. Outside of technical competence, our focus is on the development of management and leadership skills.

Diversity

We are committed to ensuring that we have an inclusive and diverse culture across the Group which reflects the communities we operate in, as well as providing an environment where all our people are able to attain their potential at work. Different expertise and experiences contribute positively to Dialight's development and to a broader and better basis for decision-making.

At operational sites, the labour pools vary depending on the characteristics of the region. Our operations in Mexico are staffed 100% by local staff. Our operations in Malaysia predominantly comprise local labour but also use some migrant workers that supplement the local labour pool. These employees are directly contracted by Dialight on a full-term contract and we ensure they are treated equally with the local workers.

Employees in North America are from diverse backgrounds with sales staff located all around the US, Canada and Mexico. Many newly hired administrative staff are partly home-based thereby allowing access to a much broader labour pool.

Sustainability at Dialight continued

3. PEOPLE IN THE SUPPLY CHAIN

Our moral obligations to people extend back through the supply chain to ensure sustainable production.

Supply chain and human rights

Dialight is committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations.

All employees and all third parties who act on the Group's behalf are required to comply with our standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which we operate.

We have an up to date Modern Slavery statement on the Company website and are fully compliant with the legislation in this area.

We expect our employees and suppliers

- to behave with honesty and integrity at all times and to comply with our zero tolerance policy on bribery and corruption
- to ensure they do not engage with suppliers in countries that are subject to sanctions or embargoes
- to ensure that they only engage with suppliers that adhere to Anti-Slavery and Human Trafficking legislation
- to ensure that all staff have a safe and secure working environment that is free from discrimination
- to ensure all staff are paid a fair wage and do not have to work beyond the legal requirements

Community involvement

We recognise that each of the Group's operations has an important role to play in its local community. COVID-19 has resulted in unprecedented hardship especially in some areas where we have facilities. In these challenging times, it is not just about Dialight supporting its own staff by being a good employer but also about giving back to the communities in which we operate. This was the background to forming the Dialight Foundation. The aims of the Foundation are to promote, operate and manage charitable grants in respect of the following classes of beneficiaries:

- direct charitable projects in local communities
- direct donations to local communities
- indirect assistance by facilitating third-party charitable work or donations to the local communities

GOVERNANCE

Introduction

This section deals with Governance in relation to ESG and the main Corporate Governance section is located on pages 33 to 81. We adhere to strict governance practices and our structure puts a priority on ethical behaviour, transparency, and accountability. The Board is committed to developing and monitoring progress against Dialight's ESG strategy and performance, with primary oversight in Board meetings where ESG is a standing agenda item.

Our approach

We are committed to promoting a culture within Dialight where everyone does the right thing and takes personal responsibility for their actions. Our Operational Framework and Code of Conduct set out the standards of business conduct and behaviours we expect of all of our businesses, our employees and all third parties who act on our behalf.

Operational framework

Our Operational Framework incorporates a broad range of policies and procedures. The Operational Framework implements a robust governance and compliance framework to enable us to operate in a safe, consistent and accountable way.

- Every employee, at every level of the organisation, has access to and understands the requirements of the Operational Framework
- Appropriate training and monitoring processes are in place to ensure proper implementation of the Operational Framework
- Local procedures and processes are adopted to implement the requirements of the Operational Framework

Ethics and business conduct

At Dialight, we are committed to doing business the right way. This means acting professionally, morally, ethically and lawfully in our dealings with all of our colleagues, business partners, customers and shareholders. Our Code of Business Conduct explains what we really mean by this. It provides guidance and sets out key company principles that apply to everyone at Dialight. We also expect our business partners to uphold the same commitment and principles.

Terms and conditions

Our Terms & Conditions of purchase set out the requirements of our suppliers including compliance with:

- Anti-slavery and human trafficking legislation (including the UK Modern Slavery Act 2015)
- Anti-slavery and human trafficking legislation in the supplier's supply chain
- Anti-bribery and anti-corruption legislation
- Occupational Safety and Health Act 1970
- Equal Employment Act

Human rights

The Group is committed to respecting human rights in the countries in which we do business. Our Code of Conduct and other applicable policies under the Operational Framework support our commitment to ensuring, as far as we are able, that there is no slavery or human trafficking in any part of our business or in our supply chain. We see compliance with local legislation as a minimum requirement and strive to operate at a higher level.

Sustainability at Dialight continued

Anti-bribery and corruption

Dialight has a zero-tolerance policy in respect of bribery and corruption. This extends to all business dealings and transactions and includes a prohibition on offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Compliance with the policy is checked as part of the half-year and year-end process. All employees have been trained on anti-bribery and corruption policies.

At a corporate level, the Group

- does not make political donations
- does not make payments to lobbyists

Information security

The level of information security should be appropriate for the nature of the information and systems, and the risk and impact that breach, disclosure or loss could cause for one or more individuals, businesses or Dialight.

This means that only authorised personnel should have access to information. We are also mindful about how computers and mobile devices are secured, when used by the mobile workforce or by staff working from home. This has created additional hazards for protecting information where personnel work outside the traditional protected office boundary. Any such personnel still can transport paper documents, and these require the same level of security. Dialight expects staff to apply the same standards whether in the office or not as it is still responsible for customer information, even if it is being handled or processed outside of Dialight offices.

Whistleblowing

We have a whistleblowing policy and procedures in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business. We received nothing on the official whistleblowing hotline during the year.

Third-party agency

We use a third-party agency who provide a 24-hour ethics reporting service, which can be accessed by telephone, email or by an external website. Whistleblowers can remain anonymous and all reported issues are investigated and reported to the Audit Committee.

Due to our workforce diversity, posters are displayed at operational sites in local languages and the third party uses multi-lingual staff.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Produced in compliance with Sections 414CB (2A) of the Companies Act. Information incorporated by cross reference.

Requirement	Relevant policies and standards	Additional information	Page
Environmental matters	Sustainability Data and Reporting Policy Quality and EHS Policy Supplier Code of Conduct	Sustainability	11 and 12
Climate-related risks and opportunities	Task Force on Climate-related Financial Disclosures (TCFD)	Climate change and Task Force on Climate-related Financial Disclosures (TCFD)	17 and 18
Employees	Code of Business Conduct Health & Safety Policy Whistleblower Policy	Health, safety and wellbeing Our people Ethics and compliance Stakeholder value: employees	14, 15 and 37
Social and community matters	Sustainability Data and Reporting Policy Community Engagement Policy Code of Business Conduct	Social value reporting Ethics and compliance Stakeholder value: communities	14 and 15
Human rights	Code of Business Conduct Modern Slavery Policy	Ethics and compliance	15
Anti-corruption and bribery matters	Code of Business Conduct Anti-Corruption & Bribery Policy Sanctions & Export Policy Supplier Code of Conduct	Ethics and compliance	16

TCFD Report

As a sustainability solution provider to our customers, our business is primarily focused on the opportunity that arises from the transition of the industrial market away from traditional lighting and towards LED as an alternative.

We have not yet complied with FCA listing rule 9.8.6R(8) but we have considered relevant and material elements of the recommended TCFD disclosures, and are aligned with The Companies Act Regulations 2022, 414CB (2A). This report uses the four thematic areas and eleven recommended disclosures, as set out in the October 2021 Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures. We expect to continue to finalise our net zero plan during 2025 and, in future Annual Reports, will enhance our reporting and further integrate climate disclosures.

GOVERNANCE

The Board of Directors is responsible for the oversight of climate-related risks and opportunities as part of the strategy and risk management of the Group and as yet we have not fully complied with the requirements of Listing Rule 9.8.6R(8), but we are working towards this moving forward. The Board monitors and oversees the Group's GHG emissions (actual and avoided) and any targets related to them, see page 12 for further details. The Board is responsible for approving the content of the Group's TCFD disclosures.

The executive management level oversight of climate- related issues at Dialight is performed by the CEO, with the support of the Executive Committee, which consists of VPs from the major departments. The CEO and Executive Committee is in turn supported by other functions and project teams who have responsibility for implementing the underlying sustainability framework actions, including the day-to-day management of climate-related issues, and reporting any relevant data, progress or issues to the CEO.

STRATEGY

The Group has not fully complied with the recommended disclosures relating to Strategy. We continue to work to establish relevant strategic quantifiable scenario analysis to measure the impact of climate related risks and opportunities. The CEO has visibility of all of the issues impacting strategy in this area and will be supported by the global teams in commencing new initiatives in the forthcoming year.

RISK MANAGEMENT

Dialight considers climate-related risks and opportunities in all physical and transition risk categories, current and emerging, whether they occur within our own operations, upstream and downstream of the Group and whether they occur within the short (1 to 3 years), medium (3 to 10 years) or long-term (10+ years) time horizons.

Risks and opportunities relevant to Dialight are identified and refined through consultation with the Risk Committee and senior management. The Risk Committee evaluates climate-related risks and opportunities on the Company's five-point risk management scale for likelihood (Remote to Likely) and impact (Low to High).

A substantial financial risk is one that would have an underlying EBIT impact of more than 25% in any one year. A strategic risk is one that would have a similar impact per annum over at least three years and could severely impact the ongoing business.

The risks identified relating to TCFD are subsets of the Group risks (see pages 21 to 24) relating to:

- Environmental and Geological
- Geo-political/Macro-Economic
- Production Capacity and Supply Chain

TCFD Report continued

CLIMATE-RELATED OPPORTUNITIES

Regulatory pressure to reduce emissions and ban older lighting technologies

Medium-long term

Link to Strategy

The business strategy is growth from replacing older inefficient lighting technology with high- performance LED lighting so changes in the regulatory environment are consistent with the business strategy.

Description

There is increasing regulatory pressure at a national and international level to ban older lighting technology. These often use hazardous materials in their manufacture and generate up to 60% more carbon emissions than LED lighting. In addition, customers who have set their own Net Zero targets need to find carbon reduction initiatives and conversion to LED is one of the quickest ways to have a substantial impact on a company's carbon footprint.

Financial impact

We have not quantified the financial impact at this stage.

Greener aluminium & transport

Medium-long term

Link to Strategy

One of the growth enablers is to reduce the cost per fixture and therefore encourage conversion to LED. This is consistent with that aim.

Description

Whilst we continue using aluminium, there may be opportunities to reduce the upstream carbon impact by sourcing it from smelters that use renewable energy. In addition, the use of recycled aluminium would be much cheaper as primary production is approximately 10 times more energy intensive than secondary production. Localisation of supply chain and the use of electric vehicles for upstream and downstream transportation would reduce costs and emissions (logistics are c. 2% of emissions using the GHG Protocol).

Financial impact

We have not quantified the financial impact at this stage.

METRICS AND TARGETS

The Group has not fully complied with the recommended disclosures relating to metrics and targets. We continue to work to establish relevant metrics and targets to measure climate-related risks and opportunities.

These disclosures also address the requirements set out under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Our specific emissions reporting is on page 12.

Risk management

STRATEGIC RISK APPROACH AND RISK CULTURE

Dialight's approach to effective risk management involves our people, at all levels in the organisation, being empowered to manage risks and take advantage of opportunities as an integral part of their day-to-day activities – creating an entrepreneurial organisation with a high level of risk-literacy. Our risk awareness culture allows management to make better commercial decisions and helps to maximise the benefits of our business model.

RISK MANAGEMENT PRINCIPLES

The effective understanding, acceptance and management of risk is fundamental to the long-term success of the Group. The Group has developed specialist knowledge in products, services, processes and regions, which allows us to understand the associated risks and accept them in an informed way. Our approach is encapsulated in the key principles of our risk management process:

- to understand the nature and extent of risks facing the Group;
- to accept and manage within the business those risks which our employees have the skills and expertise to understand and leverage;
- to assess and transfer or avoid those risks which are beyond our appetite for risk; and
- by consideration of materiality, establish the authority layers within the Group at which decisions on acceptance and mitigation of levels of risk are taken.

A RAPIDLY CHANGING WORLD

Embedding internal controls and risk management further into the operations of the business is an ongoing process and we continually strive for improvement. This is not a static process with an end-point, but a continuously evolving process as we adapt to a changing business environment. Our integrated approach to risk, our simple and flat corporate structure and our flexible and adaptable ways of applying our risk framework, enable the Group to respond quickly, and identify opportunities, in emerging challenges to our supply chain, product development and production operations, and our end markets.

RISK GOVERNANCE AND CONTROLS

The Risk Committee is responsible for overseeing the risk management processes and procedures. It primarily comprises the members of the Executive Committee and reports to the Board through the Audit Committee on the key risks facing the Group. It monitors the mitigating actions put in place by the relevant operational managers to address the identified risks. The Board has approved the acceptance of certain risks which are considered appropriate to achieve the Group's strategic objectives. The degree of risk to be accepted within the business is managed on a day-to-day basis through the Board-delegated authority levels. These are the framework for informed risk taking within the businesses and the route for escalating decision-making up to the Board.

Further details on the governance structure in the Group are provided on pages 42 to 45. This governance structure provides the framework for the Group's approach to, and management of, risk, and provides the structure for changes in current and emerging risks to be highlighted and addressed.

Risk summary

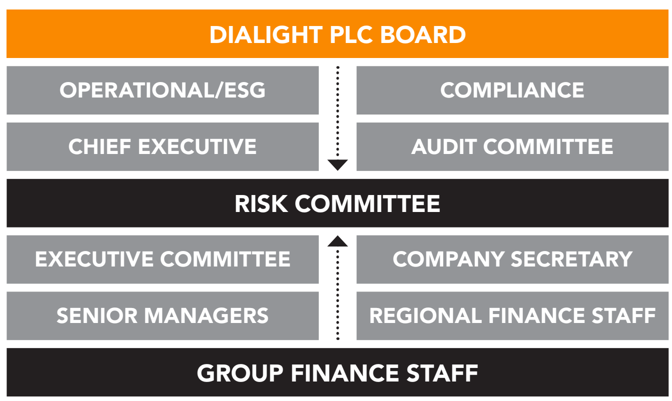
1. **FUNCTIONAL AND FRONT LINE CONTROLS**
2. **ASSURANCE ACTIVITIES**
3. **MONITORING AND OVERSIGHT CONTROLS**
4. **ETHICAL AND CULTURAL ENVIRONMENT**

RISK MANAGEMENT FRAMEWORK

Our complementary approach is based on utilising a top-down plus a bottom-up process:

Top down

- Group risk policy and strategy
- Group risk appetite
- Principal risk oversight
- Group compliance oversight



Bottom-up

- Business risk appetite policy
- Assessment and mitigation of specific risks
- Upward reporting of key residual risks

Risk management continued

GROUP RISK CONTROL & VISIBILITY CASCADE

The key areas of the Group's system of internal controls are as follows:

- The key component in any risk management system is people. Dialight invests heavily in its people, recruiting capable and adaptable individuals and focusing on the retention of our skilled workforce. It is our employees that maintain our high standards of risk control and create a culture in which risk can be managed to the advantage of the Group.
- Functional reviews (e.g. finance, operational, legal and compliance reviews) are hard-coded into our approvals systems. All cash payments from the Group are reviewed and approved at a supplier level by the CFO. Cash forecasting has been enhanced to be at a more granular level and rolling 13-week forecasts are updated regularly. Manufacturing operations, including relevant supply chain, inventory and production metrics are reviewed daily. Sales and orders reports are reviewed daily in order to assess any changing risk profile on sales activity by geographic location. The Board approves the annual budget, strategic plan and in-year forecasts and tracks their achievement.
- A comprehensive financial reporting package is received from all operating units on a monthly basis, with comparisons against budget, forecast and prior-year performance. Each operating unit is required to submit a quarterly self-certification on compliance and controls.

  Each month the CEO and CFO report to the Board. The CEO report outlines the Group's operations and provides analysis of significant risks and opportunities. The paper covers progress against strategic objectives and shareholder-related issues. The CFO report sets out progress against internal targets and external expectations – including routine reporting on liquidity risk and covenant compliance.

  The CEO and CFO report to the Audit Committee periodically on all aspects of internal control. This includes the results of internal audit activity by Group Finance or external providers. The Board receives regular reports from the Audit Committee, and the papers and minutes of the Audit Committee are used as a basis for the Board's annual review of internal controls.
- The Board reports annually to shareholders on its risk management framework, providing shareholders with an opportunity to challenge Group Strategy, including in respect of the Group's risk mitigation.

PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

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

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

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

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

READ MORE ON PAGE 21 to 24

Principal and emerging risks and uncertainties

Impact on strategy	Description	Impact on viability, reputation and health and safety	Mitigation	Time horizon: Short <2 yrs	Time horizon: Medium <2-5 yrs	Time horizon: Long >5 yrs
1 INTELLECTUAL PROPERTY (Decreased) Low						
• Revenue • Underlying operating profit	Intellectual property infringement risk – by Dialight or against Dialight. Security of protectable intellectual property.	• Proprietary technology used by competitors leading to loss of market share and revenue • Unforeseen liabilities	Core Group IPR is protected by patents (where applicable) and potential violations will be pursued through legal action. By ensuring internal technical IPR expertise and the use of third-party patent specialists in the production development process, the risk of infringing third-party IPR is minimised. In house product development and purchase-in of components will also mitigate risk further.			●
2 GROWTH (CURRENT OFFERING, CUSTOMER REQUIREMENTS AND MARKETS) (Increased) High						
• Revenue • Underlying operating profit	Risk of stagnation of addressable market of current product portfolio, product portfolio management efficiency, and execution risk on current sales/ route to market. Understanding customer requirements regarding product function and price. Risk from failure to recognise emerging markets and focus concentrated on North America.	• Loss of reputation • Loss of market value	Continued improvement in our in-house manufacturing operations has increased our capacity to support further growth. Our diverse product mix mitigates risk in any particular sector and focus on continued and improved product management and new product development mitigates future risk. We will also improve focus on other regions and geographies having regard to Product diversity appropriate for each region, and consider greater diversity in product portfolio mix (S&C, obstruction). We will make improvements to better support the Sales team in feeding our factories with orders.		●	
3 ENVIRONMENTAL AND GEOLOGICAL (No change) Medium						
• Revenue • Underlying operating profit	The Group's main manufacturing centre is in Mexico and its main market is North America. Any impediment to raw materials getting into Mexico or restrictions on finished goods entering North America related to natural disasters could have a large impact on profitability. Disruption to global markets and transport systems and/or workforce arising from geological, biological, economic and/or political events may impact the Group's ability to operate and the demand for its products.	• Reduced financial performance • Loss of market share • Unforeseen liabilities	The Group maintains appropriate structural risk mitigations including comprehensive insurance and contingency planning. With its in-house manufacturing capacity leveraged across several, geographically dispersed, sites and through the maintenance of finished goods inventory the Group is able to reduce risk relating to meeting customer demands. Improvements have also been made to our key site in Ensenada to mitigate fire risk.		●	●

Change in year

Increased | Decreased | No change

Magnitude of impact

Low

Principal and emerging risks and uncertainties continued

Impact on strategy	Description	Impact on viability, reputation and health and safety	Mitigation	Time horizon		
				Short <2 yrs	Medium <2-5 yrs	Long >5 yrs
4 FUNDING (Increased) **High**						
• Revenue • Underlying operating profit	The Group has a net debt position and there is a risk related to liquidity. The Group has not paid a dividend since 2015. Capital and debt funding servicing and adequacy, also having regard to compliance with our banking covenants. A retrospective review of covenant calculations for the 15-month period to 31 March 2024 was performed by management as part of the year-end audit after certain matters came to the attention of the Board. This retrospective review identified that breaches of the covenants had and/or may have had occurred when also retrospectively applying finalised year-end accounting adjustments.	• Covenant compliance • Volatile financial performance arising from translation of profit from overseas operations	The Group's bank facility was extended on 14 June 2024 to 21 July 2026 on the same terms as the original agreement. Following the retrospective review of covenant calculations by management, waiver requests were communicated to HSBC who have agreed to issue retrospective covenant waivers for the relevant quarters. The waivers are subject to legal finalisation at the date of this report. Capital allocation policy is used to determine re-investment or distribution of cash. The Group has reduced profit and balance sheet volatility by changing its reporting currency (in this reporting period) to US dollars which aligns with the majority of its revenues, cost base and borrowings.	●		
5 CYBER & DATA INTEGRITY (Increased) **High**						
• Revenue • Underlying operating profit • On-time delivery • Order growth	Disruption to business systems would have an adverse impact on the Group if our systems suffered Cyber attacks (including ransomware, phishing, DDOS attack). The Group also needs to ensure the protection and integrity of its data. There can be additional risk if internal data management processes are not mapped and improved. With the Group's dispersed international footprint, increasing automation there is greater risk of impact on IT infrastructure/communications between employees.	• Inability to supply customers • Loss of revenue and significant business disruption • Loss of commercially sensitive information	The Group continually reviews its IT systems to ensure that they are robust and scalable in line with the expansion of the business. During 2022, EY completed a full cyber security review and its recommendations will be progressed in 2023 and beyond. This year we have also engaged external consultants to verify and improve the integrity of our email systems. We are also considering engaging external consultants to assist in mapping order to cash process and improve systems and operational performance.	●	●	

Change in year

Increased   Decreased   No change

Magnitude of impact

Low

Principal and emerging risks and uncertainties continued

Impact on strategy	Description	Impact on viability, reputation and health and safety	Mitigation	Time horizon Short <2 yrs	Medium <2-5 yrs	Long >5 yrs
6 TALENT & DIVERSITY ↑ High						
• Revenue • Retention	Group performance is dependent on attracting and retaining high-quality staff across all functions. Risk in the labour market hardening in all markets (especially Mexican wage inflation risk) and age profile of key staff increasing.	• Without good-calibre staff, the Group will find it difficult to expand and achieve its strategic goals	Historically low labour mobility in our know-how roles. We have a focus on career structure and development plans in place, alongside competitive remuneration structures. New VP, HR recruited into the Group this year leading to improved HR systems and retention tools.			●
7 GEO-POLITICAL AND MACRO-ECONOMIC IMPACTS ↑ High						
• Revenue • Underlying operating profit	There is risk attaching to macro-economic performance in North America. Risk of macro-economic shocks (including inflation) has increased globally, and geo-political risk has increased across Europe and Asia.	• Reduced financial performance • Lack of growth	Group operates in end markets focused primarily in Australia, Canada, the EU, USA and UK but sources a significant amount of key components from China. The Group provides products to a wide-range of sectors within these markets, many of which are, or supply, essential services. Diversification of supply chain has reduced, to an extent, risk relating to eastern Asia and the South China Sea area – and the Group has no in-house manufacturing operations in this area.			●
8 PRODUCT RISK ↓ Low						
• Revenue • Underlying operating profit	Risk relating to commercial obligations (including warranty), legal, product recall and reputational risks arising from under-performance or non-performance of product against contracted specification and/or product malfunction.	• Unforeseen liabilities • Covenant compliance	Catastrophic failure protections designed-in to our Products mitigate risk. We deploy clearly defined specifications – against third-party certified product. We have standardised contractual limitations on liability and protections alongside product liability insurance.			●

Change in year

↑ Increased ↓ Decreased No change

Magnitude of impact

Low

Principal and emerging risks and uncertainties continued

9 PRODUCT DEVELOPMENT STRATEGY — Increased — High

Impact on strategy	Description	Impact on viability, reputation and health and safety	Mitigation	Time horizon: Short <2 yrs	Medium <2-5 yrs	Long >5 yrs
• Revenue • Underlying operating profit • Order growth	Inability to translate market requirements into profitable products. Failure to deliver technologically advanced products and to react to disruptive technologies. Emerging pressure to innovate ESG-friendly and less carbon-dense products.	• Loss of revenue • Loss of market share • Lack of order growth	Our new-product development cycle extended (5–10 years) and current product portfolio are well established, and includes input from customers and distributors as well as our highly- experienced multi-disciplinary in-house engineering team. We are also recruiting new product marketing capability to address market needs and requirements, especially in new markets.			●

10 PRODUCTION CAPACITY AND SUPPLY CHAIN — Increased — High

Impact on strategy	Description	Impact on viability, reputation and health and safety	Mitigation	Time horizon: Short <2 yrs	Medium <2-5 yrs	Long >5 yrs
	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.	• Inability to fulfil demand • Loss of market share • Higher costs to expedite materials • Loss of revenue and operating profit	The proximity of our manufacturing capacity to primary markets reduces risk. In addition, modularisation of new products simplifies supply chain, inventory and manufacturing processes. The Group also has multi-site manufacturing capacity flexibility. Modularisation of new products simplifies supply chain.	●	●	

Change in year

Increased — Decreased — No change

Magnitude of impact

Low

Chief Financial Officer's review

"WE ARE NOT TALKING ABOUT PRODUCING MIRACLES, BUT WE ARE TIGHTENING UP ALL AREAS OF THE BUSINESS – BEING MORE CAUTIOUS, GIVING MORE REALISTIC FORECASTS, AND LIVING UP TO THEM."

Carolyn Zhang
Chief Financial Officer

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

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

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

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

We will also keep our promises to the bank by living within our means, with a manageable facility, and delivering within that. We are not talking about producing miracles, but we are tightening up all areas of the business – being more cautious, giving more realistic forecasts, and living up to them.

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

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

FINANCIAL REVIEW

CURRENCY CHANGE

The Group has historically presented its financial results in GBP sterling despite most of the underlying revenues, costs and financing being denominated in US dollars. As a result, large movements in foreign exchange rates resulted in significant translational differences in the reported results. To mitigate this the Group has changed its presentational currency from GBP sterling to US dollars, with prior-year comparatives restated in line. Please refer to note 3 for further details of the change in accounting policy.

FINANCIAL PERFORMANCE

Group revenues of US $226.0m for the 15 months ended 31 March 2024 (2022: US $209.8m) generated an underlying gross profit of US $70.1m (2022: US $67.4m), giving an underlying gross margin of 31.0% (2022: 32.1%) – a small reduction of 0.9% compared to 2022. Distribution costs of US $36.8m and underlying administrative costs of US $37.9m resulted in an underlying operating loss of US $4.6m. The total operating loss for the period was US $30.2m (2022: profit of US $2.8m) after US $25.6m (2022: US $3.3m) of non-underlying costs were recognised.

12 months comparison

Group revenues for the 12 months ended 31 December 2023 were $185.0m, a 11.8% decrease against the prior year. The reduction was seen across both segments, with Signals and components revenues heavily impacted by the cyclical downturn in Opto-Electronics and the Lighting business continuing to be impacted by capital projects being deferred to later periods.

Chief Financial Officer's review continued

Gross margin for the 12 month period reduced slightly to 31.6% (2022: 32.1%), with improvements in material costs through cost reduction projects and negotiation with suppliers in part offsetting increased labour rates and lower fixed overhead absorption.

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

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

Lighting before unallocated costs

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

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

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

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

Signals and Components before unallocated costs

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

	15-month period ending 31 March 2024 US $m	12-month period ending 31 December 2022 US $m
Revenue	**54.9**	60.2
Underlying gross profit	**12.5**	17.2
Underlying gross profit margin	**22.8%**	28.6%
Underlying overheads	**(12.3)**	(10.3)
Underlying operating profit before unallocated costs	**0.2**	6.9

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

Unallocated costs

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

NON-UNDERLYING COSTS

	15-month period ending 31 March 2024 US $m	12-month period ending 31 December 2022 US $m
Transformation plan	**4.5**	–
Goodwill impairment	**11.2**	–
Development cost impairment	**4.1**	1.6
Litigation costs	**2.3**	1.7
Business disposal costs	**3.5**	–
Total	**25.6**	**3.3**

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

The Group has incurred US $4.5m of non-underlying costs relating to the transformation plan. This is a significant multi-year change programme for the Group which is designed to address legacy issues associated with excess cost and complexity within the organisation, whilst at the same time focusing more resources on the most attractive growth opportunities within its core industrial LED lighting market. Implementation of the transformation plan is expected to be complete by 31 March 2026. The multi-year transformation plan is a material, infrequent programme and is not considered to be part of the underlying performance

Chief Financial Officer's review continued

of the business. The costs incurred in the 15-month period to 31 March 2024 relate to resetting and realigning the Group's cost base including severance costs, and legal and professional fees. An impairment charge of US $1.1m for property, plant, and equipment and dilapidation costs of US $0.4m have been recognised in relation to the planned vacation of the Malaysian facility later in 2024.

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

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

During the 15-month period to March 2024 costs of US $1.9m have been expensed (2022: US $1.2m) relating to a legal claim with Sanmina, a manufacturing partner. Please refer to note 26 for further details of this claim. Other litigation costs of US $0.4m for the 15-month period to 31 March 2024 (2022: US $0.5m) relate to a contractual litigation case relating to the use of intellectual property which was concluded in 2023.

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

INVENTORY

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

	15-month period ending 31 March 2024 US $m	12-month period ending 31 December 2022 US $m
Raw materials	**18.8**	27.5
Sub-assemblies	**13.4**	14.4
Finished goods	**16.7**	22.7
Spare parts	**0.2**	0.2
Total	**49.1**	**64.8**

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

Improved inventory management has resulted in an improved ageing profile of goods held, with the aged inventory provision reducing from US $5.0m at December 2022 to US $3.6m at March 2024.

At March 2024 an additional provision of US $3.0m was recognised in relation to specific inventory relating to the traffic business that is not expected to be sold, resulting in a total inventory provision of US $6.6m.

CASH AND BORROWINGS

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

Net debt	US $m	US $m
Opening balance at 1 January 2023		(25.4)
Inflows		
Operating cash flows before movements in working capital	3.0	
Equity raise	12.0	
Movements in inventory	15.7	30.7
Outflows		
Movements in working capital excluding inventory	(5.4)	
Capital expenditure including development assets	(6.8)	
Interest and tax paid	(6.7)	
Lease payments in period	(2.9)	
Repurchase of own shares	(0.1)	(21.9)
Foreign exchange movements		0.2
Closing balance at 31 March 2024		(16.4)

The main factors behind the movement in net debt were:

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

Gross bank debt of US $27.9m was offset by cash in hand of US $11.5m – see note 23 for further details on bank borrowings. The interest expense of US $4.1m is analysed in note 8.

Chief Financial Officer's review continued

BANKING AND COVENANTS

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

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

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

Please refer to note 2(b) of the consolidated financial statements for details of how this has been considered as part of the going concern assessment.

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

TAX

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

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

PENSION COSTS

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

CAPITAL MANAGEMENT AND DIVIDEND

The Board's policy is to have a strong capital base to maintain customer, investor, and creditor confidence and to sustain future development of the business. The Board considers consolidated total equity as capital, which as at 31 March 2024 equated to US $63.9m (December 2022: US $83.0m). The Board is not declaring a dividend payment for the period ending March 2024 (2022: nil).

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

POST BALANCE SHEET EVENTS

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

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

Carolyn Zhang
Chief Financial Officer

29 July 2024

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 01 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are discussed in the Chief Financial Officer's Review on pages 25 to 28.

The Directors' assessment of the viability of the Group is set out in the Viability Statement on page 31. In addition, note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

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

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

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

Further details, including the relevant covenant tests, are included in note 23.

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

The downside scenarios reflect the risk of lower-than expected organic revenue growth in core Lighting markets, lower gross margins than forecast due to lower revenue forecasts and cost savings not being realised to the full extent forecasted. In the downside scenario including an adverse Sanmina outcome, an estimated worst-case outflow of US $7.9m has been modelled, consistent with the disclosures provided in note 26.

BASE CASE

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

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

Going concern statement continued

The key assumptions in the base case include:

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

Downside case – lower revenue and margin

The Directors have assumed:

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

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

The Directors have assumed:

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

Reverse stress test (break-even assessment)

The Directors have assumed:

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

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

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

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

Further, the legal claim against the Company by Sanmina, which is outlined in note 26 represents a possible adverse outcome outside of the Group's control which could result in a material cash outflow. In this scenario, the Group would have insufficient liquidity in the going concern period in management's downside case, without taking mitigating actions or securing additional funding.

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

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

Viability statement

The Directors have assessed the Group's longer-term prospects, primarily with reference to the Board approved FY2025 budget and strategic plan.

This is driven by the Group's business model and strategy as detailed on pages 07 to 08, which are fundamental to understanding the future direction of the business, while factoring in the Group's principal risks detailed on pages 21 to 24.

The Board has assessed the viability of the Group over a three-year period, considering the Group's current position and the potential impact of the principal risks and uncertainties. Whilst the Board has no reason to believe that the Group will not be viable over a longer period, it has determined that three years is an appropriate period. In drawing its conclusion, the Board has aligned the period of viability assessment with the Group's three-year strategic plan and therefore, increases reliability in the modelling and stress testing of the Group's viability. In addition, the Board believes that this approach also provides an appropriate alignment with the annual awards under the share-based incentive plan and our external banking facilities.

In making their assessment, the Board carried out a comprehensive exercise of financial modelling and stress-tested the model with various scenarios based on the principal risks identified in the Group's annual risk assessment process. The scenarios modelled used the same assumptions and mitigations as for the going concern statement. These scenarios included lower-than-expected growth in our core Lighting markets, delayed recovery from the short-term cyclical downturn in the opto-electronic market, efficiency improvements not fully realised and a combination of these scenarios in addition to the impacts from the Group's principal risks such as litigation. In each scenario, the effect on the Group's KPIs and remaining borrowing covenants was considered, along with any mitigating factors.

In reviewing the Company's viability, the Board has identified the following factors which they believe support their assessment:

- continued strong market drivers for LED adoption due to the increasing focus on sustainability and high utility costs;
- legislation banning the sale of fluorescent lighting being introduced in a number of countries;
- the Group operates in diverse end markets, with no material individual customer concentration;
- positive customer and distributor feedback and invitations to bid on large projects;
- structural changes in key areas such as sales and operations which will drive improved planning;
- new product development to close portfolio gaps and support expansion into new verticals;
- the Group's resilience in addressing the operational, materials and supply chain challenges over the last 15 months;
- operational leverage as volumes increase, combined with investment in manufacturing automation and component standardisation;
- continued strengthening of the balance sheet and strong cash generation through divestment of non-core businesses; and
- the Group's long-term, strong relationship with HSBC and its three-year (plus another one-year extension clause now activated) US $34.0m revolving credit facility with HSBC signed in July 2022, as set out in note 23.

Based on this assessment, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2027.

As set out on pages 29 to 30, the Board have identified a material uncertainty in relation to going concern during the going concern period to 31 March 2026. As the going concern period falls in the three-year viability period, the board has also identified the same material uncertainty in the viability period.

GOVERNANCE

Chair's introduction to governance

DEAR SHAREHOLDERS

On behalf of the Board, I am pleased to report on Dialight's corporate governance during the past financial year.
This part of our Annual Report explains Dialight's governance framework and outlines how it was applied, on a practical basis, in the year under review.

OVERVIEW

The Board's role in setting the Group's culture and core values is a significant one and the Executive Directors and Non-Executive Directors ("NEDs") are required to work as a team to ensure the success of the Group. Steve Blair and I speak frequently with each other, and I am very grateful to each of my Board colleagues who have given so much of their time generally over the last year and in particular across the last few months in supporting the necessary changes to the Group's management.

LEADERSHIP AND BOARD CHANGES

In summer 2023 the non-executive team was strengthened with the arrival of Steve Blair and Lynn Brubaker – both highly experienced and knowledgeable former senior executives with strong UK-listed board experience. There have been two significant executive changes this calendar year with the arrival of Carolyn Zhang as our CFO and with Steve Blair stepping into an executive role as CEO. The Board is now confident that the executive team are well positioned to deliver on our ambitious growth strategy.

I would like to thank all the former directors who have departed in the reporting year for their commitment to the Group and wish them well in their future endeavours. Further details on Board composition and leadership can be found on pages 40 to 41.

BOARD FOCUS AREAS IN 2023

The Board's focus across the reporting year has been three-fold: re-booting shareholder engagement; renewing, strengthening, and reinvigorating the Group's senior leadership; and, crucially, ensuring delivery of an ambitious strategic plan and the appropriate level of capitalisation to deliver on that plan.

STAKEHOLDER ENGAGEMENT

As a Board, we are accountable to all our shareholders and must have regard to other stakeholders such as employees, customers, suppliers, and the environment. We maintain an active dialogue with shareholders, and whilst Steve Blair and I lead on shareholder engagement generally, all of our Board engage actively on remuneration and other matters and we welcome the active participation of our shareholders in informing the strategic direction of the Group.

DIVERSITY

As a Board we continue to prioritise cognitive and experiential diversity as a key indicator of independence and Board strength, and to enable robust challenge in Board discussions on the range of challenges and opportunities facing the Group. Notwithstanding this, we are pleased that the Board has broadly maintained a natural balance in terms of gender, nationality, and ethnic background. Further details of Board composition are on pages 40 to 41.

BOARD PRIORITIES

Our priorities for 2024/25 are very much focused on supporting the now stable leadership at a Board level and providing support and challenge to the Executive Team, to enable significant improvements in operational performance and to ensure that the executive management deliver on our strategic objectives.

Neil Johnson
Non-executive Chair
29 July 2024

Compliance statements

UK CORPORATE GOVERNANCE CODE 2018

Throughout the reporting period ended 31 March 2024, the Company has applied the principles and complied with the provisions as set out in the 2018 Code, with the exception of provision 32 requirement that the Remuneration Committee chair should have served on the committee for 12 months prior to appointment. An explanation of the Board's view on this matter is set out on pages 44 to 45 and 48. A summary of compliance against the 2018 Code is included on this page.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's approach to risk management and internal control is set out on pages 19 to 20.

SECTION 172 COMPANIES ACT 2006 STATEMENT

Section 172 ("s172") of the Companies Act 2006 imposes on company directors a duty to act in the interests of a broad range of stakeholders including shareholders, employees, suppliers, and local communities. A statement in respect of compliance with s172 is on pages 35 to 37.

BOARD CERTIFICATION

The Strategic Report, and this Annual Report generally, has been reviewed and approved by the Board. The Board confirms that it considers that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance.

UK CORPORATE GOVERNANCE CODE 2018: COMPLIANCE STATEMENT:

This governance report details, in its various sections how the Company has applied the code principles and code provisions, see below for details of this.

Section 1: Board leadership and Company purpose

	Compliant	See page(s)
1. Opportunities and risks/sustainability of business model/governance delivering strategy	Yes	–
2. Board activities/investment in workforce	Yes	47
3. Communication with shareholders	Yes	46
5. s172 statement	Yes	35
6. Mechanism for workforce concerns	Yes	16
7. Management of conflicts of interest	Yes	45/46

Section 2: Board division of responsibilities

	Compliant	See page(s)
9. Chair independence on appointment (current Chair)	Yes	48
10. Statement on Non-Executive independence	Yes	–
11. 50% of Board to be independent	Yes	38
12. Identification of Senior Independent NED	Yes	58
13. Board review process and independence	Yes	48
14. Division of responsibilities	Yes	–

Section 3: Board composition, succession and evaluation

	Compliant	See page(s)
18. Annual re-election of Directors	Yes	48
20. Use of external search agency (during 2023/24)	Yes	–
21. Formal and rigorous annual evaluation	Yes	–
23. Report on work of the Nomination Committee	Yes	49

Section 4: Audit, risk and internal controls

	Compliant	See page(s)
26. Report on work of Audit Committee	Yes	51
28. Emerging and principal risks	Yes	21-24
30. Going concern statement	Yes	29
31. Viability statement	Yes	31

Section 5: Remuneration

	Compliant	See page(s)
32. Chair 12-month service requirement	No	60
36. Post-employment shareholding requirements	Yes	–
37. Use of discretion to override formulaic outcomes	Yes	–
38. Executive Director pension alignment with workforce	Yes	–
41. Description of work of the Remuneration Committee:	Yes	57
Engagement with shareholders	Yes	46
Alignment of Executive Director remuneration with wider pay policy	Yes	–
Application of discretion on outcomes	Yes	–

Section 172 statement

OUR APPROACH

The Board has a duty to promote the long-term, sustainable success of the Company and of the wider Group. The baseline duty is set out in s172 of the Companies Act 2006, but in reality, the breadth of factors considered by the Board in its decision-making process is far wider – including a range of statutory and other factors.

Board decision-making will always encompass:

- the likely consequences of any decision in the long term and the risks to the Group and its stakeholders;
- the interests and wellbeing of our people and of the communities where we have a presence;
- the impact of our products and businesses on the environment and the need, over time, to "decarbonise" our inbound and outbound supply chains and our manufacturing and other operations;
- the Group's relationships with its customers and suppliers; and
- the importance of our reputation for integrity and high standards of business conduct.

Dialight believes that a key mechanism in ensuring that it makes good long-term and sustainable decisions is open, two-way dialogue with all our key stakeholders. We believe that understanding the perspective and needs of our stakeholders is vital to the Group's success.

Good governance and our business ethics and integrity are essential for Dialight to continue to be an attractive Company for our investors, employer for our employees, partner for our suppliers and distributors, and manufacturer of our long-life products for our customers.

This s172 statement signposts some of the main ways in which we have engaged with stakeholders across 2022 and built confidence in the sustainability of their relationship with the Group. It should be read in conjunction with:

- Chairman's statement on page 04;
- the Group Chief Executive's review on pages 05 to 06;
- the ESG reports on pages 38 to 39;
- Risk management on pages 19 to 20;
- the Group Chief Finance Officer's review on pages 25 to 28; and
- the Governance and related reports on pages 33 to 96.

By order of the Board.

Richard Allan
Company Secretary
29 July 2024

COMMUNITIES

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
Dialight has a long-standing presence through our manufacturing plants in Mexico; Roxboro, NC USA; and Penang, Malaysia. As a responsible employer, we want to contribute to the economic development and sustainability of these communities as part of our efforts to secure a loyal and motivated workforce with high levels of training, health and welfare and employee satisfaction.	Sponsorship and volunteering opportunities for employees. Membership of local trade associations and industry bodies. Enhanced benefits for employees, such as transport to and from factory locations and food vouchers. Maintenance of the Dialight Foundation – with a management board staffed by employee representatives from around the world and tasked with fund-raising and dispensing Group-provided funds on charitable projects in the communities adjacent to our manufacturing locations. Establishment of a hardship fund to which any employee can apply for one-off financial and other assistance in a range of hardship situations.	Continuing support for the Dialight Foundation and its continued fund-raising within our employee and partner communities. Dispersal of funds to local community charities by the Dialight Foundation. Support for dedicated "volunteering day" across the whole Group to encourage employee involvement in local communities. Continuing focus on raising base pay levels for the lowest-paid workers within the Group.

Section 172 statement continued

CUSTOMERS

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
Dialight operates in highly differentiated but competitive markets. To maintain our best-in-class differentiation we are reliant upon a constant pipeline of new technical innovation and of new products. The clarity and precision with which we listen to the "voice of the customer" and map these needs across to new product design functionality and pricing is a key determinant of the future success of the Group.	Sales proximity to our end users through direct sales force and indirect distribution partners. Dedicated product management specialists integrated within our sales and marketing functions. Detailed product planning and innovation pipeline bringing together product, application and technology specialists from our dedicated in-house product innovation teams. Detailed new product development management and review process integrated with sales and commercial reviews.	Incremental improvements in existing best-practice, monitoring new product development management and review process. Embedding of process engineers in manufacturing operations to ensure realisation of programmed NPD production efficiencies. Extension of post-launch product and commercial review cycle.

ENVIRONMENT

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
Dialight and can contribute to "decarbonise" industrial facilities' construction and building/facilities management, promote the success of sustainable GHG-neutral products and services, and reverse environmental damage historically caused by the sectors we operate in. We see an absolute confluence of interest in promoting GHG-neutral products and the interests of all our key stakeholders (not least our shareholders) – as we believe that knowledge of the low GHG density of our products, the inherent power efficiency of our technology (including LED light generation generally) and our extended product life-cycle, will be key drivers of the future success of the Group.	Dialight products already benefit from high power efficiency (through design and utilisation of LED technology) and extended life-cycles (typically 10-year warranties on solid state lighting ("SSL") products). This inherently positive impact on the environment is recognised with our FTSE Green Economy Mark certification. Supply chain codes of conduct and screening in respect of raw material tracing and impacts (eg, conflict minerals).	Embedding of Environmental Product Declarations that comply with ISO 14025 and EN 15804 standards on our key new product types – enabling customers to make informed decisions on the GHG potential of all our products (expressed as kg CO_2 equivalent per unit of product). Maintenance of ISO 14064 and internal GHG audit control environment as part of the enhanced efforts at decarbonising our products and corporate operations and reporting to investors and other stakeholders on progress against carbon-neutrality objectives. Ongoing commitment to Net Zero with SBTi and setting outline plans for scientific targets to achieve this.

Section 172 statement continued

PARTNERS

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
Our key commercial partner relationships are spread across the inbound supply chain and our outbound distribution networks. With our high-SKU product range, we are highly reliant upon the integrity and efficiency of our supply chain. We were a first-mover in the introduction of long-warranty products (typically 10 years for SSL), but this in turn requires high levels of assurance over the consistency and reliability of component parts for our manufacturing operations. Our sales model is a hybrid of active direct selling, active indirect selling and indirect product supply.	Supplier and distributor onboarding due diligence (financial, quality, business integrity and compliance, component supply, Modern Slavery etc.). Supplier Code of Conduct. Audits and inspections of suppliers. Ongoing management of supplier relationships.	Further rationalisation and localisation (where possible) of our supply chain to mitigate the risk of supply chain disruption and strengthen product quality, production efficiency, inventory management and supplier relationships generally. Further strengthening of supply chain team and processes.

EMPLOYEES

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
Dialight has a diverse mix of employees across four continents ranging from manufacturing production operatives to highly skilled design engineers. We are entirely reliant upon our workforce for our differentiating innovation, efficient and high-quality manufacturing production, and for sales of our product in our end markets. We need to retain our skilled staff as well as attract highly skilled talent to new roles.	Ongoing focus on communications with, and policies for, employees relating to employee health, safety, and welfare. Training and development. Site visits by members of the Board (conducted physically and online). Update newsletters from the Group Chief Executive. Whistleblowing hotline.	Monthly all-employee updates from the CEO. Specific welfare precautions for employees at our manufacturing plants including additional food supplies, paid leave (for high-risk individuals), and in-house medical care.

INVESTORS

Why it is important to engage with this stakeholder group	Board decision-making impact and how we engage generally	Board decision-making impact and what we did in 2023/24
As a Company with a premium listing on the London Stock Exchange's Main Market and a borrower of bank debt, we need to communicate clearly and effectively with our existing and prospective shareholders and lenders to develop their understanding of how the Group's businesses are managed to generate sustainable returns and long-term success.	Meetings with current and potential shareholders, current and potential lenders, and analysts. Addressing enquiries from institutional and retail investors. AGM, Annual Report and Accounts, and preliminary and interim announcements. Regulatory announcements. Corporate website.	More frequent discussions with existing shareholders and lenders. High level of shareholder satisfaction with governance standards evidenced by 2023 AGM voting levels.

Governance overview

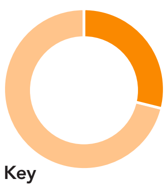
GOVERNANCE OVERVIEW

This report aims to provide shareholders and other stakeholders with an understanding of how our Group is managed and the governance and control framework within which we operate.

Dialight, as a smaller Company with a focused product portfolio, benefits from having a lean and agile management structure. Our governance and controls are integral to the organisation's operating culture and provide good visibility of the performance of the business. The Board is focused on getting the right balance between robustness and pragmatism in its oversight of governance, controls and risk management as the best means of delivering the Group's strategic aims of growth, customer relevance and differentiation.

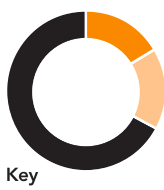
AS AT 31 DECEMBER 2022

EXECUTIVE/NON-EXECUTIVE



Key	
Executive	29%
Non-Executive	71%

INDEPENDENT NEDs

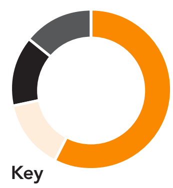


Key	
Executive	14%
Non-executive Committee	14%
Independent	57%

DIRECTORS (TERM PROFILE)

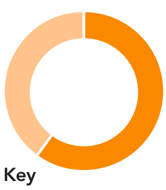
Key	
0-3 years	42%
4-6 years	29%
7+ years	29%

DIRECTORS (NATIONALITY)



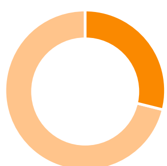
Key	
British	57%
French	14%
German	14%
USA	14%

SENIOR ROLES* (GENDER)



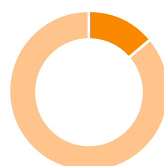
Key	
Female	60%
Male	40%

DIRECTORS (GENDER)



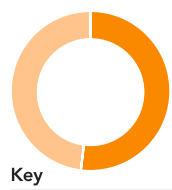
Key	
Female	29%
Male	71%

EXECUTIVE COMMITTEE (GENDER)



Key	
Female	14%
Male	86%

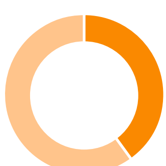
ALL EMPLOYEES (GENDER)



Key	
Female	52%
Male	48%

AS AT 31 DECEMBER 2023

EXECUTIVE/NON-EXECUTIVE



Key	
Executive	40%
Non-Executive	60%

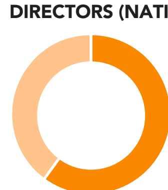
INDEPENDENT NEDs

Key	
Executive	40%
Non-executive Committee	20%
Independent	40%

DIRECTORS (TERM PROFILE)

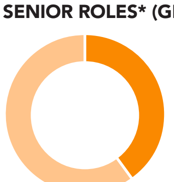
Key	
0-3 years	100%
4-6 years	0%
7+ years	0%

DIRECTORS (NATIONALITY)



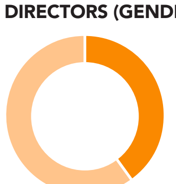
Key	
UK	60%
US	40%

SENIOR ROLES* (GENDER)



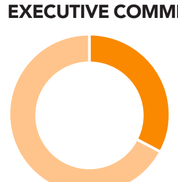
Key	
Female	40%
Male	60%

DIRECTORS (GENDER)



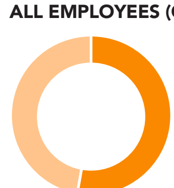
Key	
Female	40%
Male	60%

EXECUTIVE COMMITTEE (GENDER)



Key	
Female	33%
Male	67%

ALL EMPLOYEES (GENDER)



Key	
Female	53%
Male	47%

* Note: Senior roles = Chair, CEO, CFO, SID and committee chairs.

Governance overview continued

HOW THE BOARD AND GOVERNANCE SUPPORTED STRATEGY

WINNING HEARTS AND MINDS

READ MORE ON PAGE 5 AND 6

Engagement of our employees, shareholders and customers is integral to ensure delivery at every level of the organisation.

Board oversight of the newly created core values deployed by the senior leadership team is crucial to ensure each and every individual provides a meaningful contribution. The core values are accountability, discipline, commitment and integrity.

- The Board has been substantially reconstituted with the addition Steve Blair, Neil Johnson, Lynn Brubaker and Carolyn Zhang during the reporting period.
- Oversight of renewal process in the senior management team.
- Significant improvement in Board visibility at our key locations.
- Focus in Board reporting and discussions on achieving rapid improvements in employee engagement and integration with a focus on improved performance.
- Greater intensity in shareholder consultation and dialogue.

SALES TRANSFORMATION

READ MORE ON PAGE 5 AND 6

The Board reviewed and approved the transformation plan in September 2023. A key aim of the transformation plan is to accelerate growth in lighting and significantly improve top line growth.

The Board approves Sales strategy, it also periodically reviews the structure of the Sales function and results. It then monitors the tactical implementation of these strategies throughout the financial year through routine monthly reporting and function-specific briefings.

- Sales: oversight of recruitment of senior sales-focussed roles.
- Sales: oversight of improvement in sales force incentivisation structures.
- Sales: focus in reporting to the Board's transformation committee to operational improvements in the sales organisation including: streamlining external reps to ensure performance directed focus on high volume regions and more focussed management of Sales personnel.

OPERATIONAL TRANSFORMATION

READ MORE ON PAGE 5 AND 6

The Board's transformation committee regularly monitors progress in delivery of strategic and tactical planning, approving incremental capex and holding management to account for delivery on the transformation strategy.

- Operational strategy: oversight of implementation of the transformation strategy.
- Operational structure: oversight on recruitment and incentivisation of newly created role of Chief Operating Officer, with Rizwan Ahmad appointed to the role.
- Operational delivery: oversight of strategy for product simplification, including dramatically reducing the number of SKUs, saving time and money.
- Operational delivery: oversight of wholesale review of order-to-cash process, with the goal of making Dialight's operations more efficient, effective and sustainable.

MARGIN IMPROVEMENT AND CASH GENERATION

READ MORE ON PAGE 5 AND 6

The Board receives periodic operational and finance reporting with a focus on review and approval of internal planning and execution. This will ensure the business is run in a financially sustainable manner in order to secure Dialight's long term future.

- Cost reduction and control.
- Targeted rationalisation of workforce and operations globally.
- Focus on our core solid state lighting business.
- Divestment of non-core business.

NED SKILLS & EXPERIENCE MATRIX

Ned skills & experience matrix:

Skills/experience	Direct experience		
Industry/sector:			
– Manufacturing (general)	✓	✓	✓
– Manufacturing (high-mix, low volume)	✓	✓	✓
– Lighting	✓	✓	✓
– Heavy industrial	✓	✓	✓
CEO role			✓
Strategy	✓	✓	✓
UK PLC	✓	✓	✓

Skills/experience	Direct experience			Indirect experience	
Industry/sector:					
Accountancy			✓	✓	✓
Sustainability	✓	✓	✓		
Finance/private equity	✓	✓	✓		
People/social	✓	✓	✓		
Territories:					
– Non-US markets	✓	✓	✓		
– US markets	✓	✓	✓		

Board: Leadership

KEY

Appointments & committee membership

N Nomination Committee

A Audit Committee

R Remuneration Committee

WE Workforce Engagement NED

S Senior Independent Director

Committee Chair

BOARD DEPARTURES IN THE YEAR

David Blood

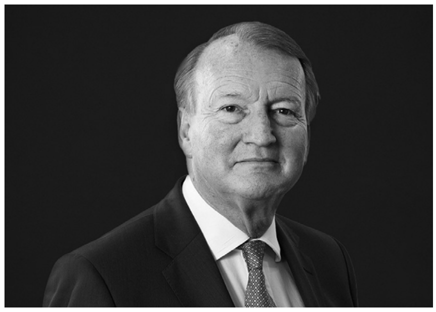
David Thomas

Gaelle Hotellier

Gotthard Haug

Clive Jennings

Fariyal Khanbabi



NEIL JOHNSON

Independent on appointment as Chair – Chair of NomCo, member of RemCo

N R

Appointed

17 May 2023.

Background and career

Neil has considerable experience in international business development and a varied range of strategic corporate activity in multiple sectors and geographies. He has held a number of senior Board roles, including Chairman of Tenon Group, Hornby, Cybit, Umeco, Synthomer plc, Motability Operations Group plc, e2v technologies plc, Electra Private Equity Plc and Centaur Media Plc. He was formerly Chief Executive Officer of the RAC and chaired telematics company Cybit Holdings Plc through IPO and ultimate sale to a US private equity firm in 2010.

He has been advisor to the Prime Minister on the Citizen's Charter, a member of a Ministry of Defence Advisory Board, and was formerly an Independent member of the Metropolitan Police Authority.

He is currently Chairman of QinetiQ Plc.

Current external appointments

Chair and Chair of Nominations Committee of QinetiQ plc.

STEVE BLAIR

Group Chief Executive

Appointed

15 February 2024.

Background and career

Steve is a qualified electronic engineer with considerable experience in international business development – with particular focus on North American markets. He held senior roles at Invensys Process Systems as President of IPS's North American operations and as chief operating officer of Spectris plc's instrumentation and industrial controls divisions. Steve was CEO of e2v Plc, steering the group through a complex organisational transformation through to its acquisition by Teledyne Inc in 2017. Steve was then CEO of The Ordnance Survey until retirement in 2021. Steve has also held a non-executive director role at Oxford Instruments plc where he was the senior independent director and a member of the audit, nominations and remuneration committees prior to stepping down in September 2021.

Current external appointments

None.

Board: Leadership continued

CAROLYN ZHANG

Chief Financial Officer

Appointed

1 February 2024.

Background and career

Carolyn has extensive experience across a range of group and divisional finance roles in US-based and global manufacturing businesses, including CFO and EVP for Metal Powder Group (part of the Holta Invest AS group), divisional CFO at Tekni-Plex Inc, and head of global operations finance at FMC (NYSE: FMC). Carolyn, a US citizen, is based close to our main finance hub in Farmingdale, New Jersey.

Current external appointments

None.

NIGEL LINGWOOD

Independent NED – Senior Independent Director, Chair of AuditCo, member of NomCo and RemCo

S A N R

Appointed

1 November 2022.
AuditCo Chair effective 12 January 2023. Senior Independent Director effective 17 February 2024.

Background and career

Between 2001 and 2020, Nigel was Group Finance Director at Diploma PLC until his retirement in September 2020, the international value-add distribution group. Nigel brings extensive, relevant and recent financial and accounting expertise together with international listed public company experience.

Current external appointments

Chair of Volution Group Plc.

Chair of Innasol Limited.

LYNN BRUBAKER

Independent NED, Chair of RemCo, member of AuditCo and NomCo, Workforce Engagement Director

R A N WE

Appointed

1 July 2023. WENED effective 1 July 2023. RemCo Chair effective 1 November 2023.

Background and career

Lynn is based in North America and has spent her executive career in the aerospace industry, most latterly as Vice President and General Manager of Commercial Aerospace at Honeywell International. Prior to that she held senior roles at Honeywell International (Allied Signal) and at McDonnell Douglas (Boeing). Lynn has also held non-executive roles at: QinetiQ Group plc, the UK-listed integrated global defence company focused on mission-led innovation; Hexcel Corporation, the US-listed high-end advanced composites manufacturer suppling into the industrial, defence and aerospace sectors; and, Nordham Group, one of the world's largest independently owned aerospace companies.

Current external appointments

Lynn is a non-executive director of FARO Technologies Inc, the US-listed 3-D measurement, imaging and realisation solutions provider for engineering, design and manufacturing processes, where she is also a member of the Audit Committee and chairs the Nominating, Governance & Sustainability Committee.

Governance structure and division of responsibilities

The Board of Directors is the principal decision-making body of the Company. The Company's governance framework is structured to maintain good oversight and control over: finance and management reporting; compliance/regulatory matters; risk management; and, approval of material decisions. Except for those Matters Reserved to the Board, it operates through delegating much of its detailed review work to sub-committees and other committees incorporating a wide spectrum of senior Dialight management. Within the operations of the Board itself, responsibilities are allocated to individual roles as shown below.

NON-EXECUTIVE:

Chair:

Governance:
- Promoting high standards of corporate governance
- Leading, chairing and managing the Board
- Ensuring all Board Committees are properly structured and operate with appropriate terms of reference
- Regularly considering the composition and succession planning of the Board and its Committees
- Ensuring that the performance of the Board and its Committees is evaluated on a regular basis
- Ensuring adequate time is available for all agenda items and that the Board receives accurate, clear and timely information
- Ensuring that there is effective communication with major shareholders

Strategy:
- Leading the Board in developing the strategy of the business and setting its objectives
- Promoting open and constructive debate in Board meetings
- Ensuring effective implementation of Board decisions with the support of the Chief Executive Officer
- Ensuring that the Board manages risk effectively
- Consulting, where appropriate, with the Senior Independent Director ("SID") on Board matters

People:
- Chairing the Nominations Committee
- Identifying and meeting the induction and development needs of the Board and its Committees
- Developing a strong working relationship with the Chief Executive Officer
- Ensuring a strong working relationship between Executive and Non-Executive Directors
- Setting clear expectations concerning the Company's culture, values and behaviours that will support its long-term sustainable success
- Ensuring effective relationships are maintained with all key stakeholders in the business

SID:
- Acting as a sounding board for the Chair
- Serving as a trusted intermediary for the other Directors
- Providing an alternative channel for shareholders to raise concerns, independent of executive management and the Chair

Independent NEDS:
- Contributing independent thinking and judgement, and providing external experience and knowledge, to the Board agenda
- Scrutinising the performance of management in delivering the Company's strategy and objectives
- Providing constructive challenge to the Executive Directors
- Monitoring the reporting of performance and ensuring that the Company is operating within the governance and risk framework approved by the Board

Workforce engagement NED:
- Direct engagement with workforce through site visits, one-on-one discussions with managers and other employees selected by the WENED, and larger engagements with selected groups of employees from different Company locations without management present

EXECUTIVE:

CEO:
- With the Chair, providing coherent leadership and management of the Company
- Developing objectives, strategy and performance standards to be agreed by the Board
- Providing input to the Board's agenda
- Ensuring the health and safety, and general wellness of the Group's workforce
- Providing effective leadership of the Executive Committee to achieve the agreed strategies and objectives
- Securing an Executive Committee of the right calibre, with specific responsibility for its composition, and ensuring that its succession plan is reviewed annually with the Chair and the Non-Executive Directors
- Monitoring, reviewing and managing emerging and principal risks and strategies with the Board
- Ensuring that the assets of the Group are adequately safeguarded and maintained
- Building and maintaining the Company's communications and standing with shareholders, financial institutions and the public, and effectively communicating the Dialight investment proposition to all stakeholders
- Ensuring the Board is aware of the view of employees on issues of relevance to Dialight

Executive Directors:
- Implementing and delivering the strategy and operational decisions agreed by the Board
- Making operational and financial decisions required in the day-to-day management of the Company
- Providing executive leadership to senior management across the business
- Championing the Group's values and reinforcing the governance and control procedures
- Promoting talent management, encouraging diversity and inclusion

Governance structure and division of responsibilities continued

Company Secretary:

- Acting as a sounding board for the Chair and other Directors
- Ensuring clear and timely information flow to the Board and its Committees
- Providing advice and support to the Board on matters of corporate governance and risk

The Board

- Principal role is to provide effective leadership, within a framework of controls, to promote the interests of the Company sustainably over the long term – generating value for its shareholders as well as benefiting other stakeholders
- Sets the Group's purpose, values and strategy and has ultimate responsibility for the Group's management, direction and performance
- Governed by the Company's Articles of Association and accountable to shareholders at least annually at shareholder general meetings

BOARD COMMITTEES

Audit Committee	Nominations Committee	Remuneration Committee	Disclosure Committee*	Transformation Committee*
Monitors the integrity of financial statements, formal announcements relating to the Company's financial performance and the Company's narrative reporting Oversees risk management and internal controls Considers the requirement for an internal audit function Reviews external auditor independence and leads the audit tender process	Reviews the structure, size and composition of the Board Oversees the Board's succession planning Keeps under review the leadership needs of, and succession planning for, the Company	Sets and keeps under review the framework and policy on Executive Director and senior management remuneration (including pension arrangements) Evaluates the advice of external remuneration consultants when reviewing remuneration structures for Executive Directors and senior management Approves the design and targets framework for share incentive plans	Manages compliance with public reporting and announcement requirements Formalised as required from time to time by the Board	Oversight of the implementation of the Group's transformation strategy Oversight of the detailed planning, project management and, implementation of the strategy Periodic review of the strategy and proposal to the Board, from time to time, of any material amendments to the strategy

* Non-regulatory committees.

MANAGEMENT COMMITTEES

Risk Committee	Executive Committee	Dialight Foundation	ESG Committee
Management Committee chaired by the Group General Counsel Manages the periodic review of Group risks Maintains the Group risk register	Management committee (with senior functional heads from across the Group), chaired by the CEO, which meets weekly and reviews operational matters and business performance Reinforces the operational and governance structures in place across the Group Acts as a forum for management decision-making	Chaired by the CEO, with the remainder of the Board comprised of employee representatives from across the Group Dispenses central funds, and engages in fund raising, for charitable purposes in the communities where we are based Maintains an employee hardship fund	Chaired by CEO Acts as a cross-functional forum for ESG matters

Governance structure and division of responsibilities continued

DELEGATED AUTHORITIES

The Board delegates certain decision-making and compliance monitoring through formal delegated authorities. Each Board Committee operates under written terms of reference – approved by the Board and published at www.dialight.com. Powers delegated to management are managed by a clearly defined Group-delegated authorities' matrix.

THE ROLE OF THE BOARD AND ITS COMMITTEES DURING THE YEAR

The Board retains control over all matters formally reserved to the Board, but delegates certain decision-making and monitoring activities to formal Board Committees and committees at an executive level. The Chair of each Board Committee reports to the Board on its decision-making. The Board also appoints ad hoc sub-committees from time to time as required.

The Board currently comprises five Directors, who bring a wide variety of skills and experience to the Boardroom. With two Executive Directors and three Non-Executive Directors (including the Chair) of whom two (excluding the Chair) have been judged by the Board under Provision 10 of the 2018 Code to be independent, there continues to be a strong independent element to Dialight's Board which encourages constructive challenge and ensures that the balance of power rests with the non-executive members of the Board. The Board considers the Board composition to be appropriate in terms of size, diversity and the balance of skills and experience. Further details of recent Board changes, interim roles and the recruitment process for a new Chair are set out in the Nominations Committee report on pages 49 to 50.

2023/24 BOARD MEETING ATTENDANCE:

Board member	Scheduled meeting	Ad hoc meeting	Total
Neil Johnson	9/9	11/12	20/21
Steve Blair	9/9	11/12	20/21
Carolyn Zhang	1/1	1/3	2/4
Lynn Brubaker	8/8	12/12	20/20
Nigel Lingwood	12/12	15/15	27/27
David Blood[1]	2/2	2/2	4/4
David Thomas[2]	3/3	3/3	6/6
Gaelle Hotellier[3]	3/3	3/3	6/6
Gothard Haug[4]	3/3	3/3	6/6
Clive Jennings[5]	5/5	4/5	9/10
Fariyal Khanbabi[6]	11/11	13/13	24/24

1 As announced on 30 March 2023, David Blood stepped down as a director with effect on 30 March 2023.
2 As announced on 5 April 2023, David Thomas stepped down as a director with effect on 16 May 2023.
3 As announced on 7 June 2023, Gaelle Hotellier stepped down as a director with effect on 30 June 2023.
4 As announced on 7 June 2023, Gothard Haug stepped down as a director with effect on 30 June 2023.
5 As announced on 18 September 2023, Clive Jennings stepped down as a director with effect on 17 September 2023.
6 As announced on 16 February 2024, Fariyal Khanbabi stepped down as a director with effect on 15 February 2024.
7 As announced on 30 January 2024, Carolyn Zhang was appointed as a director with effect from 1 February 2024.

Governance structure and division of responsibilities continued

BOARD RESPONSIBILITIES

Standing Board agenda items	Matters reserved for the Board	Independence
Review and approval of the previous minutes Status update on any matters outstanding from previous meetings Updates from each Board Committee on the activities since the last Board meeting Health and safety review Report from the Group Chief Executive Report from the Chief Finance Officer Report from the Group General Counsel/Company Secretary Investor relations report	Setting the Group's long-term objectives and commercial strategy Approving annual operating and capital expenditure budgets Ceasing all or a material part of the Group's business Significantly extending the Group's activities into new business or geographic areas Changing the share capital or corporate structure of the Company Changing the Group's management and control structure Approving half-year and full-year results and reports, dividend policy and the declaration of dividends Approving significant changes to accounting policies Approving key policies Approving risk management procedures and policies, including anti-bribery and corruption Approving major investments, disposals, capital projects or contracts (including bank borrowings and debt facilities) Approving guarantees and material indemnities Approving resolutions to be put to the AGM and documents or circulars to be sent to shareholders Approving changes to the Board structure, size or its composition (following the recommendation of the Nominations Committee)	Board has reviewed the independence of the Chair and each Non-Executive Director and considers all of the Non-Executive Directors to be independent of management and free from business or other relationships that could interfere with the exercise of independent judgement The Company meets the requirement under Provision 11 of the 2018 Code that at least half of the Board has been determined by the Board to be independent The Board believes that any shares in the Company held personally by a member of the Board aligns their interests with those of the shareholders Former Chair, David Blood (deemed non-independent under provisions 9 & 10 of the 2018 Code), was considered to be independent in character and judgement in performing his duties as a Director

Leadership and engagement

HOW THE BOARD ENGAGES

The Board engages with its various stakeholders in a number of different ways and with responsibilities spread across the Executive and Non-Executive teams. The Executive members of the Board have contact with all Executive Committee members and make regular visits to Group sites. All new Non-Executive members of the Board will carry out Company visits as part of their induction and routinely thereafter – with at least one meeting a year normally taking place at a Group location outside the UK. The Board members also engage with our current and future business leaders working within the Group on strategic and other matters. This regular interaction between the Board and the businesses provides a vital channel of communication and a forum for open dialogue, which encourages the sharing of knowledge and experience. Additionally, the role of Workforce Engagement Non-Executive Director (WENED) is seen as a critical function enabling the independent NEDs to have direct interaction with, and reporting from, the wider workforce. WENED meetings are conducted on the basis of strict confidentiality and non-attribution for employee comments. The WENED reports back to the CEO and the Board on any issues arising from WENED meetings.

WHAT WE DID IN 2023/24: SHAREHOLDER ENGAGEMENT

General engagement with investors

Engagement with investors is led by the CEO but is a collective responsibility of the Board. The Board is committed to strengthening communications with investors. Primary contact with shareholders, on a day-to-day basis, is through the Executive Directors. Overall responsibility for ensuring the effectiveness of communication with shareholders lies with the Chair.

Company announcements and website

The Company releases announcements via the regulatory news service – all of which are publicly available and can be accessed through the Company's website dialight.com. Copies of formal reports are released on the Company website (and deposited with Companies House and the FCA's National Storage mechanism-both of which are publicly accessible). Recordings of annual and interim results can be accessed through the Company's website dialight.com. Shareholders can register on the website to receive email alerts.

Annual and interim results

The Company is required to make half-year and full-year formal announcements. These are released via the Regulatory News Service and can be accessed through the Company's website dialight.com.

Meetings with large investors

In addition to scheduled meetings with the Executive Directors (led by the CEO), Non-Executive members of the Board are available to meet with investors. The Chair is generally available to shareholders and meets with institutional and other large investors as requested. The Senior Independent Director and the Chair of the Remuneration Committee are also available to shareholders as required.

Annual general meetings

The 2023 AGM was a hybrid general meeting with shareholders having the option to attend in person or online. Typically, the full Board will attend the AGM, and be available to answer questions, and the CEO will give a presentation. Each substantially separate issue is proposed as a separate resolution and voted on by way of a poll. Details of the resolutions to be proposed, and shareholders' options for voting, at the forthcoming AGM are to be found in the notice of the AGM (which will be dispatched in August 2024). The 2023 AGM will take place on 23 September 2024.

COMMERCIAL ENGAGEMENT

Executive Directors

Commercial engagement is an Executive Director responsibility and led by the CEO. The Executive Directors have in the past prioritised proximity with customers and distributors for themselves and product development teams, facilitated by the direct sales force.

Reporting to Board

The executive team reports monthly to the Board on a range of corporate, financial and commercial issues including feedback from customers, suppliers and other partners.

Commercial engagement

- **Customers.** The Executive Directors engage with customers directly through site visits and assisting strategic sales activity, and indirectly through monthly reporting by the direct sales teams (both territorially-based and with the strategic accounts team).
- **Distributors.** Our indirect sales model (using distributors) places great importance on maintaining good relations with our distribution networks: attending distributor conferences; attending meetings of purchasing groups and other distributor bodies; and pursuing other opportunities to support our indirect sales team.
- **Suppliers.** Relations with key suppliers is generally managed indirectly through Executive Committee-level direct reports of the Executive Directors with operational and supply chain responsibilities – i.e., through weekly and monthly review meetings and formal reporting.
- **Other commercial partners.** The Group has a range of other partners who are managed, on a case-by-case basis, by the Executive Directors or other members of the Executive Committee team.

Leadership and engagement continued

ENGAGEMENT WITH EMPLOYEES AND OUR LOCAL COMMUNITIES

Workforce Engagement NED

Direct engagement with workforce through site visits, one-on-one discussions with managers and other employees selected by the WENED. There will typically also be larger engagements with volunteer groups of employees from different Company locations without management present.

Executive Directors

Engagement with the Dialight workforce is an Executive Director responsibility and led by the CEO – but viewed as a fundamental task of the entire executive team. Board-level engagement is facilitated by periodic all-employee calls and blogs, frequent visits to manufacturing and other Group sites by the Executive Directors and through reporting by Executive Committee members and the HR function.

Dialight Foundation

The Dialight Foundation is the primary conduit for engagement with local communities. Its membership is drawn from all levels and localities of the Group – ensuring a direct voice for all employees in decision-making. The Foundation is chaired by the CEO, enabling the CEO to directly represent the voice and needs of our local communities in Board discussions.

Whistleblower helpline

The Group operates a confidential whistleblower helpline, facilitated by an independent third-party. Reports are reviewed confidentially by the Group General Counsel and reported to the Chair of the Audit Committee (for control/ethics & integrity issues) and to the CEO and Head of HR in respect of personnel issues/HR-related complaints.

Reporting to Board

The executive team reports monthly to the Board on people and health & safety issues as well as the activities of the Dialight Foundation and other community engagement. The WENED reports to the Board periodically on the employee engagement programme and on feedback received from employees.

Board composition, succession and evaluation

2023/24 BOARD PERFORMANCE EVALUATION

In compliance with the 2018 Code, the Board undertakes a formal evaluation of its performance, and that of each Director, on an annual basis. The principal Committees of the Board also undertake an annual evaluation of their effectiveness, in accordance with their terms of reference. The outcomes of the 2023/24 review will inform Board administration, agenda planning, strategy and succession planning. The review process is typically phased and consists of a board questionnaire and/or one-on-one director reviews, reviews at committee level, and, finally, an end-of-year Board review.

Directors: independence

Neil Johnson was deemed independent upon appointment as Chair. Each of Steve Blair and Lynn Brubaker were deemed independent upon appointment during the reporting year.

Directors: time allocation

The Board benefits from the wide variety of skills, experience and knowledge that each of the Directors brings to their roles. However, being available and committing sufficient time to the Company is essential. Therefore, the number of external directorships that a Non-Executive Director holds is an important consideration when recruiting and when performing the annual evaluation of Non-Executive Director effectiveness.

Executive Directors are permitted to accept one external appointment, subject to the prior approval of the Chair. Approval will only be given where the appointment does not create a conflict of interest with the Group's activities and where the role is considered to be beneficial to the development of the individual (which will, in turn, benefit the Company).

In addition to the scheduled Board meetings, Non-Executive Directors are expected to attend the AGM, the annual strategy meeting and certain other Company events and site visits throughout the year. A time commitment of at least 20 days pa is the anticipated requirement for each Non-Executive Director and this was considerably exceeded in 2023/34 (taking into account Transformation Committee activities, the changes to the Board and other responsibilities).

The Chair and Non-Executive Directors also meet twice a year without Executive Directors present to ensure there is an opportunity to discuss potentially sensitive matters. The Senior Independent Director meets with the Non-Executive Directors, without the Chair present, at least once per year, to evaluate the Chair's performance.

Directors: re-election

In compliance with the 2018 Code, all of the Directors in place will stand for election/re-election (as appropriate) at the forthcoming AGM. Following the annual evaluation of the Board and its Committees the Board has determined that all Directors standing for election or re-election at the AGM continue to be effective, hold recent and relevant experience and continue to demonstrate commitment to the role. Biographical details of each Director standing for election or re-election are set out in the notice of AGM.

Directors: succession planning

In addition to having responsibility for succession planning of senior executive roles below Board level, the Nominations Committee (and the Board generally) are responsible for succession planning of Board Directors and the key Board roles. The Board's recent approach to succession planning and recruitment has achieved a broad balance in terms of cognitive approach, diversity, skills, knowledge and experience, and length of service. This is maintained through a combination of an open-minded approach to recruitment, use of external advisers, a thorough recruitment process for all potential appointees to the Board and active management of succession planning.

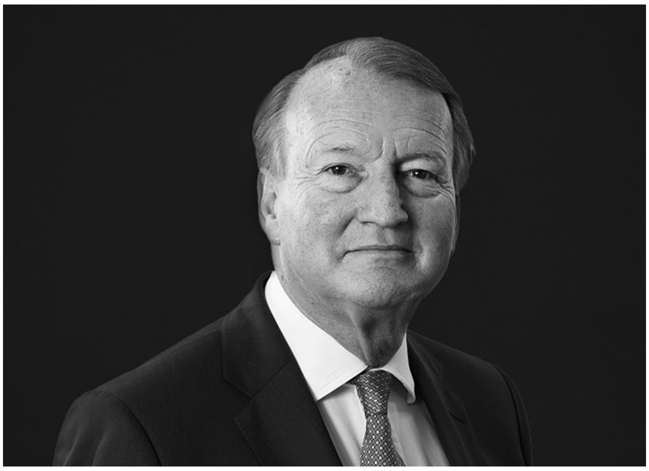
Directors: induction

Newly appointed Non-Executive Directors follow a tailored induction programme, which generally includes dedicated time with Group Executives, time with Board advisers (including legal briefings), inductions on Group products and technologies, and visits to regional offices. There are tailored induction materials which provide a comprehensive overview of: the Group and its legal and organisational structure; the governance framework; the role of the Non-Executive Director; key business contacts at the Company level; and details of the Board's external advisers. In addition to the latest Annual Report and Company announcements, further materials such as recent broker coverage and the last Board evaluation are also provided.

Directors: liability insurance

Each Director is covered by appropriate Directors' and officers' liability insurance, at the Company's expense. In addition, the Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities.

Nominations Committee report



Neil Johnson
Chair of the Nomination Committee

2023 HIGHLIGHTS

- Recruitment of new CEO and CFO
- Recruitment of new NED
- Completion of AuditCo succession planning

2024 PRIORITIES

- Strengthen senior executive team below Board level
- Review of recruitment of additional NED

ROLE AND RESPONSIBILITIES

- Review the size, balance and composition of the Board and its Committees and make recommendations for any changes, and oversee Board and senior executive succession planning;
- Periodically review any objectives for the implementation of diversity on the Board and monitor progress towards these objectives;
- Lead the process for Board appointments, including the evaluation of skills, knowledge, experience and diversity on the Board and prepare role descriptions for any particular appointment, and ensure all new Directors receive appropriate induction training;
- Review the results of the annual Board performance evaluation process that relate to the composition of the Board; and
- Review senior executive leadership requirements for the Group.

TERMS OF REFERENCE

A copy of the terms of reference ("ToR") for the Nominations Committee is available on the Company's website or on request from the Company Secretary at the registered office. The ToR are reviewed annually by the Committee.

COMPOSITION AND ATTENDANCE

Committee member	Member from/until	Attendance
Neil Johnson	Chair from 17 May 2023	3/3
Nigel Lingwood	Member from 1 November 2022	7/7
Steve Blair	Member from 7 June 2023 – until 15 February 2024	2/2
Lynn Brubaker	Member from 1 July 2023	2/2
David Blood	Member from 23 July 2015 – until 30 March 2023	4/4
David Thomas	From 26 April 2016 – until 16 May 2023 and Chair from 12 January 2023 to 16 May 2023	4/4
Gaëlle Hotellier	From 3 October 2016 – until 30 June 2023	4/5
Gotthard Haug	From 30 July 2020 – until 30 June 2023	4/5

Dear shareholders

Both the Nominations Committee and the Board recognise their crucial roles in ensuring that the Group has the right talent at management and executive levels at Dialight. There were significant changes at Board level during the reporting year and we now believe that we have a very firm base upon which to build the turn-around of the Group.

The Nominations Committee exercised oversight across all Board changes during the reporting period. It would meet to discuss proposed changes, manage recruitment, appoint advisers and set up objectives, manage the recruitment process and make final recommendations to the Board to make and/or approve changes. Where key decisions on Board membership were made by the full Board that decision-making followed ad hoc meetings of the Nominations Committee. Where key decisions on Board membership were made by the full Board that decision-making followed ad hoc meetings of the Nominations Committee.

BOARD CHANGES

Steve Blair was already on the Board in a non-executive capacity (having joined the Board on 7 June 2023) when he agreed to step into the CEO role in February 2024. Details on Steve's biography can be found on page 40.

Carolyn Zhang joined the Board on 1 February 2024. Details on Carolyn's biography can be found on page 41.

Lynn Brubaker further strengthened the non-executive presence on the Board when she joined on 1 July 2023. Details on Lynn's biography can be found on page 41.

Nominations Committee report continued

David Blood stepped down as a non-independent Non-Executive Director on 30 March 2023. During his eight years on the Board, David had made a significant contribution to the business, including over two years as Chair, and everyone at Dialight extends him our best wishes for the future.

David Thomas stood down as the board Chair on 16 May 2023, after serving 7 years on the Board, including service as the senior independent director and chair of the audit committee. The Board would like to thank him for his lengthy service to the Company and wishes him all the very best for the future.

On 7 June 2023 we also announced that Gaelle Hotellier and Gotthard Haug would step down as non-executive directors. We would like to thank them both for their considerable service and contribution to the Group.

On 18 September 2023 we announced that Clive Jennings would step down as CFO and on 16 February 2024 we announced that Fariyal Khanbabi would be stepping down as CEO.

In 2023, the Nominations Committee received advice from the following independent external search firms in respect of various Board roles. None of these search firms had any disclosable connections with any Board Directors or with the Group.

DIVERSITY

The Board recognises the benefits of Board cognitive diversity (and we report elsewhere in this Annual Report on pages 33 and 50 on Board and workforce diversity) so I am pleased to see the level of diversity broadly maintained on the Board (and indeed across the Group) in terms of experience, gender, qualifications and background. The Board is currently comprised of five Directors, two of whom are women (40%). The spread of nationalities is: three British and two American. The Board remains strongly committed to enhancing cognitive and other forms of diversity in its future appointments.

BOARD EVALUATION

The Nominations Committee and the Board conducted an internal evaluation of each director, the committees and the Board. In light of the substantial changes to the Board during the reporting period it was considered that this internal process was appropriate, albeit the Board will consider externally facilitated reviews in the next reporting period.

ACTIVITIES DURING 2023/24

The activities of the Committee are summarised on these pages and were dominated by the series of changes in Board roles.

PRIORITIES FOR THE COMING YEAR

Alongside ongoing review of the Board with a view to considering a further appointment of an independent NED, the key priorities for the Committee across 2024/25 will be the stabilisation of the senior executive team and the strengthening of senior management across the Group.

On behalf of the Nominations Committee.

Neil Johnson
Chair of the Nominations Committee
29 July 2024

COMMITTEE ACTIVITIES IN 2023/24

Meeting	Actions
12 January 2023	Board appointments
8 February 2023	Chair recruitment and Neil Johnson engagement terms.
2 March 2023	Neil Johnson appointment recommended to the Board.
22 March 2023	Annual review of directors and NED recruitment planning.
23 June 2023	Ratification of Steve Blair as Board director, SID and RemCo chair.
17 September 2023	Clive Jennings departure as Chief Financial Officer and consideration of role recruitment for new CFO.
18 February 2024	Departure of Fariyal Khanbabi as CEO and recommendation for appointment of Steve Blair as CEO.

Audit Committee report

Nigel Lingwood
Chair of the Audit Committee

2023/24 HIGHLIGHTS

- Successful September 2023 fund-raising
- Reviewed the reporting year cycle and reporting currency and introduction of a 31 March year-end and US$ reporting currency
- Reviewed the operational and financial models underpinning the Transformation Plan
- Reviewed and challenged the divestment opportunities, including the successful disposal of the Traffic and Rail division
- Supported the Nomination Committee to recruit and appoint new Chief Financial Officer and assisted with her induction into the Group
- Reviewed the scope and finding of the internal audit activity carried out during the year and in particular additional work and reports subsequently prepared in connection with the departure of the Chief Executive Officer
- Reviewed and challenged management judgement in key areas including going concern and annual impairment reviews, inventory provisions, development capitalisation and litigation cases, particularly in light of the proposed Transformation Plan
- Reviewed and oversaw the Group's internal control and risk management process
- Challenged throughout the year the business forecasts versus available banking facilities as part of going concern and viability reviews
- Reviewed and assessed the Group's risks and concluded on the principal risks to be disclosed in the financial statements and how these should be mitigated
- Reviewed the extension of the Group's banking facility
- Worked closely with Chief Financial Officer to assist with onboarding the new Group external auditor

2024/25 PRIORITIES

- Supporting Chief Financial Officer to refresh and strengthen finance department resource at both Group and operating levels
- Review and oversee new reporting processes and controls operating across the business
- Continue to oversee and support the focus on working capital management, particularly inventory levels and ageing
- Support the implementation of the Groups' transformation and Strategic plan and challenge business forecasts versus available banking facilities
- Re-establish and broaden the scope of internal audit activity to cover principal Group locations and functions
- Support Chief Financial Officer with project to assess and implement appropriate reporting controls and processes in connection with new attestation requirements set out in 2024 Code
- Continue to review and challenge the processes and disclosures surrounding TCFD and environmental reporting by the Group

RESPONSIBILITIES

The role of the Committee is primarily to support the Board in fulfilling its corporate governance obligations in so far as they relate to the effectiveness of the Group's risk management systems, internal control processes and financial reporting. Its key responsibilities include:

- Reviewing the integrity of financial statements and any announcements relating to financial performance
- Reviewing and challenging key accounting judgements and narrative disclosures
- Monitoring internal control and risk management processes
- Performing a robust assessment of the Company's principal and emerging risks
- Monitoring and reviewing the effectiveness of internal audit activity
- Considering the appointment of the external auditor, their reports, performance, effectiveness and independence
- Agreeing the external auditor's terms of engagement and the appropriateness of the audit fee

COMPOSITION

Committee member	Member from/until	Attendance
Nigel Lingwood (Chair)	Member from 1 November 2022 – Chair from 12 January 2023	6/6
David Thomas	Member from 26 April 2016 until 11 January 2023 – Chair to 11 January 2023	0/0
Gaëlle Hotellier	Member from 3 October 2016 until 30 June 2023	1/2
Gotthard Haug	Member from 10 September 2021 until 30 June 2023	1/2
Steve Blair	Member from 7 June 2023 until 16 February 2024	5/5
Lynn Brubaker	Member from 1 July 2023	4/4

Terms of reference

A copy of the terms of reference ("ToR") for the Audit Committee is available on the Company's website or on request from the Company Secretary at the registered office. The ToR are reviewed annually by the Audit Committee.

Audit Committee report continued

DEAR SHAREHOLDERS

Set out below is the Report of the Audit Committee Report for the 15 months period ended 31 March 2024. This Report provides an insight into the activities undertaken or overseen by the Audit Committee ("Committee") during what has been a very challenging period for the Group.

Following the resignation of the previous Chief Financial Officer on 18 September 2023, the Committee assisted the Nominations Committee in a broad search for a successor with strong and experienced financial background, gained in a more operational environment and based in the USA, where the Group's principal businesses are based. On 30 January 2024, the Committee was delighted to appoint Carolyn Zhang as Chief Financial Officer who, although based at the Group's principal operational head office in Farmingdale, New Jersey, also leads the smaller head office of Dialight plc in London.

During the period, the Committee supported Executive management with a review of the Group's annual reporting cycle and reporting currency and, after review and challenge, concluded that a 31 March financial year-end would be better aligned with the Group's trading cycles and resulting cash flows. That change in the reporting period has led to the Group's results for 2023/24 comprising a 15 month reporting period ended 31 March 2024. The reporting cycle will now revert to a 12-month reporting period ending on 31 March of each year. Alongside this review, management also determined that, as the majority of the Group's revenues were earned in US$ and as the majority of the manufacturing costs were paid in US$ a change in reporting currency from GBP to US$ would provide shareholders with better visibility of underlying financial performance and cash flows.

The Committee reviewed the implications of changing both the annual reporting cycle and reporting currency with management and the Company's auditors and oversaw the necessary processes that had to be undertaken in the year to complete these changes.

Throughout the year the Committee continued to discuss and challenge the assumptions and judgements made by management in the preparation of the published financial information, provided input and oversight of the internal controls processes and risk management. The Committee also reviewed and challenged management in connection with the assumptions underlying the Transformation Plan, including the appropriateness of proposed divestments and the implications of this Plan and divestments on the Group's cash flow and facilities and carrying value of certain tangible and intangible assets.

The departure of the Chief Executive Officer on 16 February 2024 led to an intense period of review and challenge over existing internal controls and processes operating across the Group's operations. Improvements in the control environment were quickly identified and implemented and further improvements in these control and processes will continue to be implemented over the coming months. As part of this exercise a small number of senior employees in the Group's finance department left the Company, which has placed considerable pressure on the remaining members of the Group to meet the challenges of preparing and reporting the financial results at 31 March 2024.

Despite these significant challenges outlined above, the Committee has continued to undertake an annual work plan closely linked to the Group's financial reporting cycle, which ensured that it has considered all matters delegated to it by the Board and very importantly has ensured that the interests of shareholders are properly protected. This annual work plan was also extended and enhanced to take account of the extended 15-month reporting year, the change in reporting currency, to review management's Transformation Plan and to review the matters identified in connection with the departure of the Chief Executive Officer.

In addition to the tasks above, the Committee continued to closely monitor developments in connection with the Sanmina litigation, liaising closely with the Company's General Counsel and ensuring that the different potential outcomes of this legislation were appropriately accounted for and disclosed in the Annual Report and Accounts.

Committee meetings

The Committee met six times during 2023/24 and had a programme of business that reflects the Committee's terms of reference and issues, including those outlined above, that could impact the effectiveness of the Group's risk management systems, internal control processes and financial reporting.

In addition to Committee members, meetings are also attended by the: Chief Executive Officer; Chief Financial Officer; Group General Counsel & Company Secretary; Group Financial Controller; and the External Auditor.

The Committee met separately with the former auditor, KPMG during the year to discuss matters without management present. In addition, Grant Thornton was provided with the opportunity at each meeting to discuss any issues with the Committee without the presence of management.

The Chair meets regularly with members of the Executive and management teams as well as Grant Thornton, outside of formal Committee meetings to discuss matters which fall within the Committee's terms of reference.

Governance

The membership of the Committee has been subject of considerable change this year following the retirement of Gaelle Hotellier and Gotthard Haug from the Committee and Board on 30 June 2023 and the retirement of David Thomas on 11 June 2023, following his appointment as Chair of the Company. On 7 June 2023 we welcomed Steve Blair as a member of the Committee, but he then had to step down on his appointment as Chief Executive Officer on 16 February 2024. On 1 July 2023, Lynn Brubaker joined the Committee and I am very grateful for her support and advice on undertaking the Committee's broad work programme this year.

Audit Committee report continued

Both members of the Committee are independent Non-Executive Directors whose qualifications are outlined in the Directors' biographies on pages 40 and 41. Both members of the Committee have a detailed understanding of Dialight's strategy, business model and the Group's culture and core values together with significant knowledge and business experience in financial reporting, risk management, internal control, and strategic management. In addition, the Chairman meets the requirement to bring recent and relevant financial experience to the Committee and further information about his experience can be found on page 40. The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities and has competence relevant to the sector in which the Company operates.

Internal control and risk management processes

The Board has overall responsibility for the risk management framework, as explained on page 19. It delegates responsibility for reviewing the effectiveness of the Group's systems of internal control to the Committee. This covers all material controls including financial, operational and compliance controls and risk management systems. During the year, the Committee received reports that enabled them to maintain oversight and discuss the risks and challenges to the Group. The structures within the Group that track and report on controls include:

- A formally constituted Risk Committee that meets periodically, made up of members of the Group Executive Committee and representing each primary function of the business
- Allocation of identified risks to a specific risk owner with responsibility for monitoring and mitigating that risk
- Periodic, externally facilitated, briefings on new and emerging risk themes across our sector and generally
- The Board of Directors and Audit Committee oversight on risk register and risk review process
- Monthly operational and financial reporting
- The control structure for delegated authorities
- External and outsourced "internal" auditors

The Committee also reviews the Group's internal control systems and their effectiveness prior to reporting any significant matters to the Board. Internal controls are the responsibility of the Chief Financial Officer. Confirmation that the controls and processes are being adhered to throughout the business is the responsibility of the relevant managers and is continually tested by the work of Group Finance. These controls include monthly management accounts, balance sheet reviews, regular forecasting and investigation of variances against budget/forecast.

As explained above, during the reporting period the Company the role of Chief Financial Officer was unfilled from 18 September 2023 until 30 January 2024. During this period the Group Financial Controller was required to carry out many of the tasks ordinarily undertaken by the Chief Financial Officer. In addition, following the departure of the Chief Executive Officer on 16 February 2024, certain matters came to the attention of the Board that merited further consideration. Accordingly the Board instructed the Company's lawyers to carry out a substantive and detailed review of these matters and this work was completed in June 2024. At the same time the newly appointed Executive management team carried out a thorough review of the Group's operating controls and processes, including those relating to expense approval and matters to be reported to the Board. Based on the results of the work undertaken in these two extensive reviews, the Board is satisfied that the Company has not incurred any material financial loss from the weaknesses identified in the Group's internal controls under previous Executive management.

Executive management has now introduced and implemented new and additional processes and authority levels and is satisfied that the Group has a substantially more robust internal control environment as it enters the new financial year.

The Committee also regularly reviews the Group whistleblowing register to ensure investigations are brought to the Board's attention and properly completed and that any control implications or common themes are identified and addressed.

Internal audit

Dialight outsources the internal audit function and supplements this with reviews by members of Group Finance. Each year, the Committee reviews and approves the internal audit plan. The plan is kept under review, depending on operational or other business requirements, with any proposed changes being discussed and agreed with the Committee. The Chief Financial Officer and/or the external provider submits reports on completed audits at each Committee meeting. The findings are discussed by the Committee, together with any implications arising from such findings on the broader control environment. Recommendations arising from internal audit reviews are communicated to the relevant business area for implementation of appropriate corrective measures and the Committee monitors senior management's responsiveness to the same.

However, as a result of these additional responsibilities placed on Group Finance from the absence of a Chief Financial Officer, together with the additional work necessary to complete a change in the financial reporting year and change in reporting currency, the work of Internal Audit, described below, was significantly curtailed as there was insufficient available resource in Group Finance. Work will start very soon in the new financial year with the Chief Financial Officer to establish a robust and more extensive work programme.

The work undertaken by outsourced providers largely covered payroll and inventory procedures in the Group's business in Penang, Malaysia. The results of this work identified some improvements to existing procedures, but controls were generally found to be satisfactory.

Audit Committee report continued

Fair, balanced and understandable

One of the key compliance requirements of a Group's financial statements is for the Annual Report to be fair, balanced and understandable. The coordination and review of Group-wide contributions to the Annual Report follows a well-established process, which is performed in parallel with the formal process undertaken by the external auditor. A summary of the process is as follows:

- The Annual Report and Accounts is drafted by the appropriate senior management with overall coordination by a team comprising the Group General Counsel & Company Secretary and the Chief Financial Officer to ensure consistency.
- Comprehensive reviews of the drafts of the Annual Report and Accounts are undertaken by management, the Board Chair and respective Chairs of each Committee to ensure that (i) all key events and issues which had been reported to the Board in the Executive Board reports during the year had been appropriately referenced or reflected within the Annual Report; and (ii) the completeness and accuracy of definitions of alternative performance measures used in the Annual Report and Accounts, their consistency of use, relevance to users of the Annual Report and Accounts and balance with statutory metrics.
- A near-final draft is reviewed by the Committee
- A final draft is reviewed by the Board
- Formal approval of the Annual Report and Accounts is given by a committee of the Board

This approach enabled the Committee, and then the Board, to confirm that the Company's 2023/24 Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

KEY JUDGEMENTS AND FINANCIAL REPORTING MATTERS

The Committee assesses and challenges whether during the period suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. Key accounting judgements considered, conclusions reached and their financial impacts during the period under review are set out in the table below. These were also the key judgements challenged by Grant Thornton during their audit. Additionally, the Committee discussed with the external auditor the significant issues addressed during the year and the areas of particular focus, as described in the Independent auditor's report on pages 83 to 96.

Key judgements and financial reporting matters 2023/24	Audit Committee review and conclusions
Going concern and viability statement The Directors must determine that the business will continue as a going concern for the 12-month period from the date of signing the accounts. Furthermore, the Directors are required to make a statement in the Annual Report as to the longer-term viability of the Group. This has been analysed in detail, particularly the downside scenarios modelled in the viability statement, in light of the current economic environment and world-wide commodity and logistics challenges.	The Committee conducted an annual assessment pursuant to which the Directors concluded that there was a "material uncertainty" with regard to certain assumptions used in the financial projections to determine whether the Group can prepare the financial statements on a going concern basis, as set out in more detail in note 2(b) of the consolidated financial statements. The Committee also evaluated management's work in conducting a robust assessment of the Group's longer-term viability, affirmed the reasonableness of the assumptions, considered whether a viability period of three financial years remained most appropriate, and confirmed that it was as part of a recommendation to the Board. These conclusions were subject to robust challenge from Grant Thornton. Further detail can be found on page 83.
Inventory valuation and absorbed overhead costs The Committee reviewed the nature of the costs absorbed into inventory, the level of production over which these costs were absorbed, the variances, including in respect of material usage and purchase price, between standard cost and actual cost and the reasons for movements in inventory value period to period. The basis for and level of provisioning, including for aged, and obsolete product which are judgemental or require a high degree of estimation, were presented to the Committee by management.	The Committee and the Auditors discussed and assessed the information provided by management and concluded, after appropriate challenge, that the valuation of inventory and level of provisioning were reasonable. The Committee approved the implementation of the revised two-year provisioning policy (see note 2(c)).

Audit Committee report continued

Key judgements and financial reporting matters 2023/24	Audit Committee review and conclusions
Capitalised development costs	
Data in relation to historic and current year development cost capitalisation was reviewed and the appropriate application of the development costs capitalisation policy in line with accounting standards was considered. The adequacy of Dialight's disclosures was reviewed with management, including the judgement involved in assessing the carrying amount and degree of estimation involved in assessing the recoverable amount of capitalised development costs.	The Committee and Grant Thornton challenged the assumptions used to determine development department capitalisation and concluded they were appropriate after an impairment charge of US $4.1m was recognised as at 31 March 2024. The Committee reviewed and approved the write-off of development costs (see note 6).
Impairment review	
For goodwill and indefinite-life assets, the Group performs an annual impairment review. In addition, the Group reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate that the carrying amount of an asset or cash-generating unit may not be recoverable. If an asset has previously been impaired the Group considers whether there has been a change in circumstances or event that may indicate the impairment is no longer required.	The Committee and Grant Thornton reviewed management's impairment review process including, where applicable, the potential indicators of impairment and/or reversal, cash flow projections, growth margin and discount rates used to derive a value in use as well as the sensitivity to assumptions made and consistency with the prior year. The Committee reviewed and approved the write-off of US $11.2m of goodwill as disclosed in note 14.
Non-underlying items	
The Group separately discloses certain costs and income that impair the visibility of the underlying performance and trends between periods. The separately disclosed items are material and infrequent in nature and/or do not relate to underlying business performance. Judgement is required in determining whether an item should be classified as non-underlying or included within the underlying results.	The Committee reviewed the presentation treatment of non-underlying items and agreed that the items listed in note 6 are appropriately classified and disclosed.
Ongoing litigation with Sanmina Corporation	
The Committee considered the disclosures of the ongoing legal proceedings with its former manufacturing partner, Sanmina Corporation, and the possible impact it has when assessing the going concern and long-term viability statement of the Group (see further details in note 27).	The Committee concluded that the disclosure in the accounts was appropriate, and that management had considered the downside range of potential outcomes in assessing the Group's going concern and longer-term viability.

Audit Committee report continued

EXTERNAL AUDIT EFFECTIVENESS AND INDEPENDENCE

Grant Thornton UK LLP was appointed as external auditor in 2022 by the Committee and this appointment was confirmed by shareholders at the AGM on 16 May 2023. The date of engagement was 19 June 2023. The appointment followed a competitive tender process, described more fully in the previous year's Annual Report and Accounts. That process was initiated to seek a replacement for KPMG as required under the Statutory Auditors and Third Country Auditors Regulations 2016. During 2022 the Committee completed the process to identify a new audit firm for the 2023 audit. There are no contractual obligations that restricted the Company's choice of external audit firm, but the restrictions on audit rotation set out in the 2016 Regulations precluded KPMG from being considered in the tender process.

The Company confirms that, during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Grant Thornton is engaged to express an opinion on the financial statements. It reviews the disclosures contained in the financial statements to the extent necessary to express its opinion. It discusses with management the reporting of operational results and the financial position of the Group and presents findings to the Committee. The Directors in office at the date of this report are not aware of any relevant information that has not been made available to Grant Thornton and each Director has taken steps to be aware of all such information and to ensure it is available to Grant Thornton. Grant Thornton's audit report is published on pages 83 to 96.

In order to assess the effectiveness and independence of the external auditor and the audit process, the Committee carried out a review of the external audit process carried out by the former auditor, KPMG at its meeting in June 2023. As part of this review feedback was sought from members of the Committee and senior management of the business areas subject to the audit. The feedback was considered, discussed and summarised by management and reported to the Committee and Board. Having conducted such review, and reviewed overall performance, the Committee concluded that the audit effectiveness and independence of the external auditor and the audit process applied to the audit of the financial statements for the year ended 31 March 2024 was satisfactory. A further review of the effectiveness and independence of the current external auditor and the audit process will be carried out later in 2024.

NON-AUDIT SERVICES

The Committee oversees the nature and amount of all non-audit work undertaken by the external auditor to ensure that it remains independent. When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. In 2023/24, KPMG provided internal audit services at the Group's Malaysian operations during the year and EY are also retained to provide taxation services to the Group. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in relation to the matter concerned and being efficient. Non-audit fees of US $0.1m relating to assurance related services were paid to Grant Thornton during the period under review.

AUDIT COMMITTEE EVALUATION

The Board is required to carry out a formal review of the effectiveness of the Committee each reporting period. In light of the considerable changes in the membership of the Committee during this reporting period this review was accomplished through a shorter self-assessment process at the June 2024 meeting, which included a review of the Committee terms of reference and was reported to the Board in July 2024.

In concluding this report, and particularly bearing in mind the many difficulties faced by both the business the current executive management team, on behalf of the Committee, I wish to thank the Dialight management and finance team, and Grant Thornton for their commitment and valuable contributions during what has been a very challenging period for the business.

I will be available to answer any questions in relation to this Audit Committee report before the Annual General Meeting. Please email your questions to the contact details in the AGM notice.

Nigel Lingwood
Chair of the Audit Committee

29 July 2024

Remuneration Committee report

Lynn Brubaker
Chair of the Remuneration Committee

ROLE AND RESPONSIBILITIES

The primary responsibilities of the Remuneration Committee are to:

- set the Remuneration Policy for all Executive Directors (including interim roles) and the Company's Chair including, where appropriate, bonuses, incentive payments, share-based incentive schemes and post-retirement benefits;
- determine the remuneration packages for the Executive Directors (including interim roles), the Company's Chair and the Company Secretary, within the terms of the policy;
- recommend and monitor the structure of the remuneration of the senior management group as defined by the Board;
- approve the design of, and determine targets for, any performance-related and share-based incentive schemes operated by the Company and approve the total annual payments made under such schemes (in accordance with the Provisions of the UK Corporate Governance Code 2018); and
- review the design of all share incentive plans requiring approval by the Board and shareholders (for any such plans, the Remuneration Committee shall determine each year, taking into account the recommendations of the Chief Executive Officer, whether awards will be made and, if so, the amount of such awards to the Executive Directors, Company Secretary, members of the Executive Committee and other senior Group employees from time to time as nominated by the Chief Executive Officer, and any performance targets to be used).

STATEMENT OF SHAREHOLDER VOTING (2023 AGM)

There was very strong support for the Remuneration-related resolutions at the 2023 AGM as shown in the table below. The Committee is grateful to shareholders for their support.

	% votes for	% votes against	Votes withheld
Directors' Remuneration Report FY2023	99.99	0.01	1,568 (out of 27,515,823 votes cast)
Dialight 2023 Restricted Share Plan	99.82	0.18	2,066 (out of 27,515,823 votes cast)

COMPOSITION AND ATTENDANCE

The names of those who served on the Remuneration Committee during the year and through to the report date can be found in the table below:

Committee member	Member from/until	Attendance
Gaëlle Hotellier	From 8 January 2018) until 30 June 2023 (Chair from 1 June 2018 to 7 June 2023	6/6
David Thomas	From 26 April 2018 until 16 May 2023	6/6
Gotthard Haug	From 12 January 2023 until 30 June 2023	6/6
Nigel Lingwood	From 1 November 2022	12/12
Steve Blair	From 7 June 2023 until 16 February 2024 (Chair from 7 June 2023 to 31 October 2023)	5/5
Lynn Brubaker (Committee Chair)	From 1 July 2023 (Chair from 1 November 2023)	6/6
Neil Johnson	From 1 July 2023	6/6

All members of the Remuneration Committee are considered independent within the definition set out in the 2018 Code. None of the Remuneration Committee has any personal financial interest in Dialight (other than as shareholders), conflicts of interests arising from cross directorships, or day-to-day involvement in running the business.

There were two Remuneration Committee chair appointments in the reporting year: Steve Blair, 1 July 2023 – 31 October 2023; and Lynn Brubaker, succeeding Steve on 1 November 2023. Neither of these chairs had served on the Remuneration Committee for at least 12 months before assuming the role. Both Steve and Lynn have extensive experience of listed environments and remuneration matters in a UK PLC context. Steve's appointment was necessitated by the significant changes in the Board and the previous Remuneration Committee chair's decision to step down from the Board at the end of June 2023. Lynn's accession to the role (she had been a member of the committee from 1 July 2023) resulted from the need to reduce the workload on Steve once he assumed the chair role of the Transformation Committee. Throughout this period there was continuity provided by Nigel Lingwood being on the committee, the retention of the Remuneration advisers, and the advice received from the company secretary.

During the year, the Remuneration Committee met 12 times. Of these, 8 meetings were formal scheduled meetings and the other 4 were meetings held to deal with the review and approval of specific technical remuneration matters. Attendance by individual members of the Remuneration Committee is disclosed in the table above.

Remuneration Committee report continued

Only members of the Remuneration Committee have the right to attend Remuneration Committee meetings. The Chief Executive Officer and the Company Secretary attend the Remuneration Committee's meetings by invitation but are not present when their own remuneration is discussed. The Remuneration Committee also takes independent professional advice as required. In addition, Neil Johnson was not present when the proposed VCP was discussed.

TERMS OF REFERENCE

A copy of the terms of reference ("ToR") for the Remuneration Committee is available on the Company's website or on request from the Company Secretary at the registered office. The ToR are reviewed annually by the Remuneration Committee.

DEAR SHAREHOLDERS

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the 15-month year ended 31 March 2024. As in previous years, this report is split into three sections: this Annual Statement (pages 58 and 59); the proposed new Remuneration Policy for the next three years ending 31 March 2027, subject to approval by Shareholders at the AGM; and the annual report on the implementation of the Remuneration Policy during 2023/24 (pages 72 to 77). We have also included "at a glance" summaries on pages 02 to 08 to aid the reader.

Please note that, as a result of the change to the Group's financial year, the annual report on remuneration covers a 15-month period.

IMPLEMENTATION OF THE 2021 REMUNERATION POLICY DURING THE YEAR

Following extensive consultation with major shareholders, the Remuneration Committee proposed a strengthened Remuneration Policy at the 2021 AGM. This policy was passed with the support of 96.3% of voting shareholders.

The Remuneration Committee's activities during 2023/24 were primarily focussed upon the implementation of that Policy with regards to the Board changes, the annual cycle of review of reward structures across the Group, bonus setting and a full review of long-term incentive provision. The Committee also consulted with Shareholders again during 2023/24 on the new Remuneration Policy to be applied for the next three years ending 31 March 2027, subject to Shareholder approval at the forthcoming AGM.

BOARD CHANGES IN 2023/24

Clive Jennings stepped down as CFO and as an Executive Director on 18 September 2023. Details of Clive's remuneration during the reporting period are set out on pages 72 and 75. It includes the payment of salary and contracted benefits through to 5 October 2023 and thereafter a payment in lieu of notice payable in six calendar-monthly instalments, together with pay in respect of untaken holiday. Fariyal Khanbabi stepped down as CEO and as an Executive Director on 16 February 2024 and left the Group on 18 May 2024. Details of Fariyal's remuneration during the reporting period are set out on pages 72 and 75. It includes the payment of salary, contracted benefits, and expenses relating to her secondment to the US. Following their departure, neither Clive nor Fariyal retained any rights in relation to share incentives granted to them.

Carolyn Zhang was appointed as CFO and as an Executive Director on 1 February 2024. Steve Blair was appointed as CEO on 16 February 2024. At the time of his appointment as CEO Steve was already a member of the Board, having served as a NED from 7 June 2023. Details of Carolyn's and Steve's remuneration are set out on page 67.

During the reporting period, David Thomas, Gaelle Hotellier and Gotthard Haug stepped down from the Board. They each received their NED fees in the ordinary course through to the final date of service. Details of their director fees are set out on page 72.

Neil Johnson was appointed as the non-executive Chair on 17 May 2023. As part of that recruitment process, the Committee received advice from its remuneration consultants (Mercer Limited). That advice was focused on the appropriate level and structure of remuneration for a successor in the role taking account of prevailing governance standards, market practice and the context of the specification for the role (including the anticipated time commitment associated with the implementation of the Group's transformation and strategic plan). The fee level for the Chair role was set at £250,000 (following receipt of advice from the independent remuneration consultants) in recognition of the anticipated considerable demands of the role. As will be apparent from the level of reported board and committee activities, the role has indeed been demanding in terms of time and effort. The Remuneration Committee will keep this fee level under periodic review and, if and when appropriate, re-base to a lower fee if there is a material reduction in the demands of the role. NED fees were increased in line with standard average annual increments for Group employees in respect of the 2024/25 reporting year at 3%, but no increase has been applied in respect of Neil Johnson's fees.

Additionally, Lynn Brubaker was appointed as an NED on 1 July 2023 and became chair of the Remuneration Committee on 1 November 2023. Current chair of the Audit Committee, Nigel Lingwood, was appointed Senior Independent Director, with effect from 19th February 2024

During the 15-month period ended 31st March 2024 there were a number of changes in committee Chair appointments, committee membership and SID, and details of these changes are set out in the relevant committee reports. Details of NED remuneration are given on page 72.

Remuneration Committee report continued

EXERCISE OF DISCRETION

The Remuneration Committee has not exercised any discretion during the reporting year in terms of incentive plan outcomes.

PROPOSAL FOR A VALUE CREATION PLAN (VCP)

During the consultation process relating to the appointment of Neil Johnson as Chair, the Board received various representations from a significant number of major shareholders with regards to the Chair role and potential remuneration structures that they believe would be most appropriate in the current context. These representations from shareholders included a suggestion that the Remuneration Committee considers a value creation plan (VCP) for the Chair role and for executive management.

The plan is intended to deliver significant rewards to participants in the event that there is a substantial increase in shareholder value with no payout below a stretching hurdle.

Over 2023 and early 2024, the Committee has, in consultation with Mercer Limited, worked on proposals for the VCP and there has been an iterative consultation process in respect of the VCP design with major shareholders. The proposed plan, which would be operated on a time limited basis during which it would replace regular grants (for VCP participants) under the 2023 Dialight Restricted Share Plan (DRSP), has been developed to address shareholder representations who wish the Company to pursue an ambitious growth strategy - accelerating that growth plan and delivering significant additional benefit for shareholders.

The principal terms of the VCP are as follows with further details included in the proposed Remuneration Policy as shown on page 63.

- Participants eligible for a share in a pool of excess shareholder value created over 3- and 4- year periods ending 31 March 2027 and 31 March 2028
- Pool calculated as 7.5% of value created through share price growth plus dividends in excess of 350p per share
- Award will have two independent 3- and 4- year performance measurement periods (each being for 50% of the award, i.e. 3.75% of value above the hurdle)
- Awards granted as a number of units in the pool with units converted to shares / nil-cost options on vesting
- Participants required to retain vested shares (after sales required to satisfy tax) for a period of 5 years from the date of grant, i.e. to 31 March 2029
- Total payouts capped at 3% of shares in issue
- No awards under the DRSP to VCP participants until 2026 (vesting in 2029
- VCP participation restricted to Chair, CEO, CFO and a small number of other key executives
- No good leaver provisions will apply in the first 24 months of the plan (i.e. until 31 March 2026
- Chair and CEO required to acquire £150,000 worth of Dialight shares by 31 March 2025 to be eligible for VCP payouts

The Committee and the Board recognises that the participation of the Chair in the long-term incentive would be unusual if he remained a non-executive Chair. Therefore, it is anticipated that if the scheme is approved, his role would become an executive role.

A resolution for the adoption of the VCP will be put forward at the 2024 AGM.

2024 REMUNERATION POLICY

The Company's triennial remuneration policy is due to be renewed at the 2024 AGM. The proposed 2024 remuneration policy is the same in all material respects as the 2021 Remuneration Policy except for an amendment to take account of the proposed 2024 VCP. The 2021 remuneration policy was extensively consulted upon with shareholders prior to adoption and received strong support.

As well as the new Policy, a resolution for the adoption of the VCP Rules will be put forward at the 2024 AGM along with linked amendments to other share plans.

POST YEAR-END ACTIVITIES

Except for the implementation of the matters set out above, there are no material post year-end activities to be reported, with the exception of the remuneration arrangements concerning the departure of Fariyal Khanbabi. The Remuneration Committee considered a range of options (including its powers under malus and claw-back) but concluded that in the circumstances the loss of unvested share options, as necessitated under the relevant scheme rules, was sufficient as at that point in time.

MATTERS TO BE CONSIDERED AT THE 2024 ANNUAL GENERAL MEETING

In addition to the routine resolution relating to this Remuneration Report, the Notice of Annual General Meeting will contain a proposal for the implementation of the VCP and a proposal for the adoption of the 2024 Remuneration Plan.

Lynn Brubaker
Chair of the Remuneration Committee

29 July 2024

Remuneration Committee report continued

COMMITTEE ACTIVITIES IN 2023/24

30 January 2023

- DRSP administration – 2022 bonus plan.

8 and 10 February 2023

- Chair terms, VCP outline and consultation with shareholders to align remuneration more closely to shareholder value creation through the introduction of a value creation plan.

2 and 22 March 2023

- Chair terms – 2023 remuneration scheme planning – 2022 remuneration report review and approval – 2022 bonus plan and 2020 DRSP outcomes.

5 April 2023

- RSO vesting and 2023 grants – approval of allotment and announcement.

26 July 2023

- Remuneration timetable planning – DRSP administration.

15 November 2023

- NED fees – EBT administration – VCP design.

14 December 2023

- Committee review – 2023 bonus plan – VCP consultation.

29 January 2024

- Terms of service for new CFO – VCP consultation.

15 February 2024

- VCP consultation – remuneration timetable. Structure of bonus plan and DRSP awards.

22 March 2024

- Terms of engagement for new CEO – VCP shareholder consultation – routine RSP vestings.

EXTERNAL ADVICE TO THE REMUNERATION COMMITTEE

The Remuneration Committee has access to the advice of the Chief Executive Officer, Company Secretary and the Group HR Director as well as external advisers as required. During the reporting period ended 31 March 2024, the Remuneration Committee consulted Mercer Limited, a business of Marsh McLennan Inc, which provided independent advice (for a total fee of £120,400 excluding VAT) on: the CEO and CFO salary, benefits and variable remuneration packages; the design and shareholder consultation in respect of the VCP (including external market context); other Board and general remuneration matters; and, corporate governance best practice and disclosure (including the drafting of this report). The Remuneration Committee retains the responsibility for the appointment of remuneration advisers and their associated fees and undertakes due diligence periodically to ensure that its advisers remain independent, and that the advice provided is impartial and objective. Mercer Limited is a signatory to the Remuneration Consultants Group Code of Conduct and abides by its requirements to provide advice that is transparent and impartial. Mercer Limited does not provide any other services to the Group.

COMPLIANCE STATEMENT

This Remuneration Report (inclusive of this introduction and report by Lynn Brubaker, the policy outlined on pages 61 to 65 and the report on the implementation of the policy on pages 76 to 78) has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It also meets the requirements of the FCA Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules. The sections of the Remuneration Report that are subject to audit are marked as Audited Information. The remaining sections of the Remuneration Report are not subject to audit.

DIRECTORS' REMUNERATION POLICY

This section of the report details the Remuneration Policy for Executive and Non-Executive Directors. The previous remuneration policy was approved at the 2021 AGM, effective for up to three years. Following significant dialogue with major shareholders, the Committee is seeking shareholder approval for a new Remuneration Policy at the 2024 AGM. The new Policy significantly strengthens the linkage between pay and performance and the alignment between the pay of Executive Directors and the shareholder experience and introduces a VCP for a limited period.

BACKGROUND AND OVERVIEW OF THE POLICY

The Committee has a clear policy on remuneration - that base salary and benefits for Executive Directors should represent a fair return for employment but that the majority of remuneration should be dependent on the continued success of the Company and be aligned with delivery of Dialight's strategic plan and the creation of shareholder value. The new Policy has been designed and reviewed so that it reinforces these principles, in particular to offer significant rewards for a substantial increase in shareholder value with no long-term incentives being earned if total shareholder return is below a stretching threshold. The Committee consulted very extensively with major shareholders in late 2023 and early 2024. It also took into account prevailing best practice investor expectations, along with remuneration made generally to employees of the Group.

The main changes are to long-term incentives and share ownership guidelines and are summarised in the Remuneration Committee Chair's Annual Statement on pages 58 and 59.

As noted in the introduction, Neil Johnson will become Executive Chair, assuming that shareholders make the necessary approvals for the Value Creation Plan (VCP) to be implemented. In this case, he will be eligible to receive his base fee and to participate in the VCP. He will not be eligible for the Annual Performance Bonus Plan, pension contributions or taxable benefits.

Remuneration Committee report continued

REMUNERATION POLICY TABLE

Base salary/Fees

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
To recruit, retain and motivate individuals of high calibre, and reflect the skills, experience and contribution of the relevant Director; to ensure that fixed pay represents a fair return for employment.	The Remuneration Committee sets base salary with reference to relevant market data and an individual's experience, responsibilities and performance. Base salary is considered by the Remuneration Committee on an individual's appointment and then generally reviewed once a year or when an individual changes position or responsibilities. When making a determination as to the appropriate level of remuneration, the Remuneration Committee firstly considers pay and conditions for employees across the Group, the general performance of the Company and the wider economic environment. The Committee may also undertake periodic benchmarking for similar roles in comparable organisations.	Any base salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with the broader employee population. In exceptional circumstances (including, but not limited to, material increases in role size or complexity), the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive. It is not envisaged that this will be a frequent occurrence. Detail of current salaries for the Executive Directors can be found on page 72.	None.	No material changes.

Benefits – not applicable to Executive Chair

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.	Executive Directors receive benefits which consist primarily of the provision of a car allowance, life insurance and medical insurance, although they may include such other benefits as the Committee deems appropriate including in circumstances where new benefits are introduced for other employees in the location where an Executive Director is based.	Benefits vary by role and individual circumstances; eligibility and cost are reviewed periodically. The Remuneration Committee retains the discretion to approve a higher total benefit cost in exceptional circumstances (eg, relocation) or in circumstances where factors outside the Company's control have changed materially (eg, increases in life insurance premiums). The value of benefits awarded to the Executive Directors can be found in the table on page 72.	None.	No material changes.

Remuneration Committee report continued

Pension – not applicable to Executive Chair

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.	A Company contribution to a defined contribution pension scheme or provision of a cash payment in lieu of a pension contribution (or combination of such) for UK-based Directors. In the US, Dialight operates a 401(k) and SERP (or cash equivalent payment in lieu in respect of the latter). Salary is the only element of remuneration that is pensionable for Executive Directors.	Executive Directors will receive pension arrangements consistent with the majority of employees in the relevant jurisdiction: • UK-based Executive Directors will be entitled to join the existing defined contribution scheme offering employer contributions of up to 5% of salary, or to receive an equivalent cash payment in lieu; • US-based Executive Directors will be entitled to participate in the 401(k) and the SERP (or to receive a cash equivalent payment in lieu of employer contribution in respect of the latter) on terms consistent with the majority of US employees.	None.	No material changes.

Annual Performance Bonus Plan (APBP) – not applicable to Executive Chair

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
The APBP incentivises the achievement of annual objectives which support the short-term performance goals of the Company.	APBP measures, weightings and targets are set by the Remuneration Committee at the beginning of each financial year following the finalisation of the budget for that year. Bonuses up to target are paid in cash, with pay-outs above target delivered in Dialight shares. Where the executive receives Dialight shares, half of these vest after two years with the balance vesting after three years, subject to continued employment with the Group. Dividends are accrued on these deferred shares and are paid to the participant on release of shares that are subject to the award. Awards under the APBP are subject to malus and clawback provisions, further details of which are included as a note to the Policy Table.	The maximum bonus opportunity is 150% of salary. Threshold performance will deliver pay-outs of up to 20% of maximum, while pay-outs for target performance will be up to 50% of maximum.	Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year. Financial measures will make up at least 75% of the total annual bonus opportunity in any given year, with up to 25% based on objectives linked to Dialight's strategy. The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including to zero) to ensure alignment of pay with performance, eg: in the event of one of the targets under the bonus being significantly missed or if there are unforeseen circumstances outside management control. The Committee also considers measures outside the bonus framework (including ESG factors) to ensure there is no reward for failure and that outcomes are fair in the context of overall performance and the Group's wider environmental and societal impact.	No material changes.

Remuneration Committee report continued

Dialight Value Creation Plan (VCP)

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
As noted on page 59, in 2024, Executive Directors will be eligible for awards under the VCP. No Executive Director that receives a VCP award will be eligible for a 2023 Dialight Restricted Share Plan (DRSP) award in either 2024 or 2025 except potentially in the case of "buy outs" under the appointments policy. It is anticipated that DRSP awards will recommence in 2026 and details of the plan are set out below. The VCP provides a way to align remuneration more closely to shareholder value creation. The aim of the VCP is to incentivise the Executive Chair, CEO and CFO and other key executives to pursue ambitious targets for growth.	Participants will be eligible for a share in a pool of excess value created over three- and four-year periods. The total pool will be calculated as 7.5% of value created through share price growth plus dividends ("TSR") in excess of 350p vs a four-week average share price ending 1 April) of approximately 166p; i.e. growth of approximately 110%. The award will have two independent 3- and 4-year performance measurement periods (1 April 2024 to 31 March 2027 and 1 April 2024 to 31 March 2028). Each period will determine 50% the award, i.e. 3.75% of value created will apply to each period. A 3-month average opening and closing share price will be used to measure value creation for the pool. Awards will be granted as a number of units in the pool. At the end of each performance period, units will be converted into an award of shares/nil cost options with participants required to hold onto their vested shares after any sales required to settle tax and withholdings on vesting for a period of five years from grant, in-line with the provisions of the Code and market best practice. To avoid excessive payouts and shareholder dilution, the total value of the pool for all participants will be capped at 3% of shares in issue. If the aggregate value of the pool exceeds this cap, then awards will be scaled-back pro-rata on the same basis for all participants. The implication is that the slope of the payout curve reduces once the share price exceeds 583p.	Awards will be granted to four to five key individuals including the Executive Chair (Neil Johnson), Chief Executive Officer (Steve Blair) and Chief Financial Officer (Carolyn Zhang). Both the Executive Chair and Chief Executive Officer would be granted an award over units representing 34% of the pool and the Chief Financial Officer 17% of the pool, with the remaining 16% allocated among other current or future participants as determined by the Board. At a share price of £5, the awards to the Executive Chair and CEO would be worth approximately £1.5m each, representing around 0.34% each of the value created for shareholders above the hurdle. The Executive Chair and Chief Executive Officer will be required to acquire £150,000 worth of Dialight shares by 31 March 2025 in order to be eligible for VCP payouts. No awards would be made under the DRSP to VCP participants until 2026. These awards would vest in 2029, 1 year after the second element of the VCP awards vest, ensuring the ongoing retention of plan participants. Other senior management DRSP participants may receive awards in the usual way. Awards under the VCP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.	As described under "Operation", the amounts received by participants are directly proportional to shareholder value generated in excess of a threshold that represents substantial growth. The Committee has discretion to adjust outcomes as described later in this Policy.	New item.

Remuneration Committee report continued

Restricted Share Plans – not applicable to Executive Chair

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
The DRSP replaced the 2024 Dialight Performance Share Plan (DPSP) for awards to Executive Directors in 2021 and thereafter. There are no outstanding DPSP awards to any executive directors. As noted above, no DRSP awards will be made to any Executive Director that receives a VCP award in either 2024 or 2025 except potentially in the case of "buy outs" under the appointments policy. It is anticipated that DRSP awards will recommence for executive directors in 2026. The DRSP provides a simple and transparent long-term incentive award to help ensure alignment between the interests of shareholders and those of the Executive Directors, and is aligned to the plans operated below Board level.	DRSP awards may be structured as conditional shares or nil-cost options with a two-year exercise window from the date of vesting. The release of awards may, at the discretion of the Committee, be deferred in whole or in part following the end of a three-year vesting period. The Committee's intention is that all vested awards will be subject to a two-year post-vesting holding period. The Remuneration Committee has the power to authorise the payment of dividends or dividend equivalents under the rules of the DRSP. Awards under the DRSP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.	The DRSP provides for an award up to a normal limit of 62.5% of salary for Executive Directors, with an overall limit of 75% of salary for use in exceptional circumstances. These maximum opportunities under the DRSP represent a 50% reduction against the maximum opportunity that was available under the previous PSP scheme. The Committee has discretion to reduce awards in the event that there has been a significant fall in the share price.	Vesting of awards will require: (a) that the recipient remains in role as at the date of vesting (subject to the "leaver" provisions of the shareholder approved share plan); and (b) that the Committee is satisfied that Dialight's underlying performance and delivery against strategy are sufficient to justify the level of pay-out, taking into consideration factors such as absolute total shareholder return ("TSR"), relative TSR, environmental impact and operational performance over the period, as well as individual contribution and the workforce and wider stakeholder experience. The Committee will have discretion to reduce the vesting of awards (including to zero) in the event that it considers that the outcome would be otherwise misaligned with the experience of shareholders and other stakeholders.	Awards to Executive Directors who receive VCP awards will not be made in 2024 or 2025.

Remuneration Committee report continued

Non-Executive Director fees

Link to strategy	Operation	Opportunity	Performance metrics	Change to policy for 2024
The Company sets fee levels to attract and retain Non-Executive Directors with the necessary experience and expertise to advise and assist with establishing and monitoring the strategic objectives of the Company.	Fee levels are typically considered every year, taking into account fees paid for equivalent roles at companies of similar size, time commitment and complexity. In the event of the Group reverting to having a Non-Executive Chair, the fees for that role will be determined by the Remuneration Committee, while fees for Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's committees. Non-Executive Directors do not receive any bonus, do not participate in awards under the Company's share plans and are not eligible to join the Company's pension scheme.	The Company's policy in relation to fees is to reflect the time commitment and responsibilities of the roles, normally by paying up to median level fees, compared to market, depending on the experience and background of the Non-Executive Directors. The Company also reimburses the Non-Executive Directors for expenses reasonably and properly incurred in the performance of their duties. In normal circumstances, increases to fees will be broadly in line with price inflation, subject to cases of material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role. It remains important for the Board to have the necessary flexibility to step outside this general policy should the requirement be clear that a certain type of individual is required to conform with new governance requirements or legislation. Aggregate fees for all Non-Executive Directors will be within the limits set by the Company's Articles of Association. Details of current Non-Executive Director fees can be found on page 72.	None.	No material changes.

Remuneration Committee report continued

NOTES TO THE REMUNERATION POLICY TABLE

EXPLANATORY DETAIL FOR FUTURE REMUNERATION POLICY TABLE

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments previously entered into with current or former Directors (such as the vesting or exercise of past share awards).

PERFORMANCE MEASURES AND TARGETS

Measures used under the APBP are selected annually to reflect Dialight's main short-term objectives and reflect both financial and non-financial priorities, as appropriate. The performance underpinned to any future DRSP awards will be based on those which best reflect the overall performance of the business. These might include, but not be limited to, absolute TSR, relative TSR, ESG metrics and operational performance over the period, as well as individual contribution and broader stakeholder experience.

For the APBP, EBIT continues to be used as the primary measure to provide a direct link to one of our KPIs. The Committee introduced a cash conversion measure for the 2023 APBP, reflecting the importance of careful cash management in ensuring we are able to fund the Company's strategic objectives over the short- and longer-term. Up to 25% of the ABPB may be based on strategic or other non-financial goals in order to reflect the importance of incentivising non-financial objectives linked to Dialight's strategy. Targets are set on an annual basis taking into account the Company's budget as well as external expectations for Dialight and the sector.

If an event occurs which causes the Remuneration Committee to consider that an outstanding DRSP or APBP award would not achieve its original purpose without alteration, the Remuneration Committee has discretion to amend the targets, provided the new conditions are materially no less challenging than was intended when originally imposed. Such discretion could be used to appropriately adjust for the impact of material acquisitions or disposals, or for exceptional and unforeseen events outside the control of the management team and would be disclosed in the relevant remuneration report.

The VCP, Is based entirely on total shareholder return. However, the Remuneration Committee is mindful of potential windfall impacts and will therefore have the ability to make adjustments to the share price hurdle and/or to payouts. Adjustments may also be made in the event of a capital raise and in other circumstances where the Committee considers this to be necessary and in the interest of the Company. In the event that a discretionary adjustment in favour of participants is proposed (within the cost and dilution parameters of the plan) that goes beyond the usual provisions that exist in relation to obtaining or maintaining favourable tax, exchange control or regulatory treatments then the Committee will consult with major shareholders.

DIFFERENCE BETWEEN THE DIRECTORS' REMUNERATION POLICY AND THAT FOR OTHER EMPLOYEES

All employees receive salaries and benefits which are consistent with local market practice, with any review of fixed pay taking into account experience, responsibility, individual performance and salary levels at comparable companies.

Senior management roles are typically eligible to participate in the APBP, with opportunities and performance measures reflecting organisational level and business area, as appropriate. A small number of very senior employees will receive VCP awards. Certain other employees at senior management level or in key roles may receive DRSP awards. These arrangements help Dialight remain competitive in the main talent markets in which it operates, while also continuing to align plan participants with the interests of shareholders in growing the value of the Company over the longer term.

SHAREHOLDING GUIDELINES

Executive Directors are required to accumulate and maintain a holding of Dialight shares equivalent in value to 200% of their base salary. The net of tax number of vested shares under the Company's DRSP will normally be required to be retained until the guideline has been met. Current shareholding levels are set out on page 77. In light of their recent appointment, the executive directors will have a period of 5 years to build up their respective shareholdings to meet this requirement. However, notwithstanding such period, Steve Blair will still be required the meet the requirement to purchase £150,000 worth of Dialight shares by 31 March 2025 in order to be eligible for VCP payments.

From 2021, Executive Directors have been required to retain shares equivalent to the in-post shareholding guideline (or actual shareholding, if lower) for a period of 24 months following the cessation of their employment.

In addition to the above, specific share purchase requirements were applied to the Executive Chair and Chief Executive Officer in order to be eligible for awards under the VCP as set out in the Policy table above. This requirement will not apply to the executive chair role in the event that Neil Johnson assumes an executive role and participates in the VCP (if the VCP is approved by shareholders at the 2024 AGM), on the basis that he would not, in that role, participate in any bonus scheme, nor be eligible for any DRSP grants. Neil would, however, in the event of his participation in the VCP, be required to meet the shareholding requirement specific to the VCP – ie the purchase of £150,000 worth of Dialight shares by 31 March 2025.

CHANGE TO POLICY FOR 2024:

- Additional share purchase requirements for the Executive Chair and Chief Executive Office.

Remuneration Committee report continued

COMMITTEE DISCRETION

As it is not possible for any Remuneration Policy to anticipate every possible scenario, the Remuneration Committee retains the ability to apply various discretions and judgements in order to ensure the achievement of fair outcomes and to maintain the flexibility required to balance the interests of individuals and those of the Company.

For example, the Committee may be required to exercise discretion when determining whether or not the outcomes of performance measures and targets applicable to variable incentives are fair in context, or if realities encourage the use of upward or downward adjustments (within scheme limits).

Accordingly, the Committee retains a number of discretions including the ability to determine the following:

- scheme participants;
- the timing of grant and size of awards, subject to the maximum levels set out above;
- appropriate treatment of vesting of awards in the context of a change of control;
- appropriate adjustments to awards in the event of variations to the Company's share capital;
- treatment, size and grant of awards in a recruitment context; and
- the application, scope, weighting and targets for performance measures and performance conditions.

Although it is not possible to give an exhaustive list of Remuneration Committee discretions, the exercise of any such discretion and the rationale underpinning their use, would be provided in context, as part of the Annual Report on Remuneration.

MALUS AND CLAWBACK

Payments and awards under the APBP bonus, VCP and DRSP (as well as awards already made under the legacy DPSP scheme) are subject to malus and clawback provisions which can be applied to both vested and unvested awards. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, fraud or gross misconduct on the part of the award-holder, an error in calculating the award vesting outcome, material reputational damage and corporate failure. In respect of the APBP, the provisions apply for up to two years following payment. In respect of VCP, DRSP and the legacy DPSP awards the provisions apply remain subject to the provisions throughout the vesting and holding period (where applicable).

Participants in all plans will be required to acknowledge their understanding of the withholding and recovery provisions as a pre-condition to participation in order to help ensure that the provisions would be enforceable should the circumstances arise.

CHANGE TO POLICY FOR 2024:

- No material changes.

PAY FOR PERFORMANCE

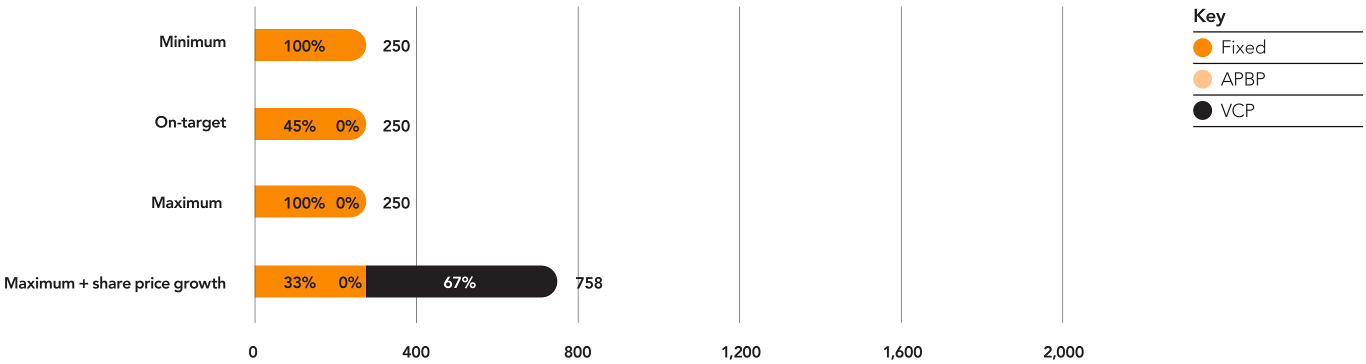
The following charts provide an estimate of the potential future rewards for the Group Chief Executive and Group Chief Finance Officer, and the potential split between different elements of pay, under four different performance scenarios: "Fixed", "On-target", "Maximum" and "Maximum including share price appreciation" using the following assumptions:

Executive	Salary	Pension	Benefits	Maximum APBP	Share of VCP Pool
Neil Johnson	£250,000	n/a	n/a	n/a	Maximum of 34%
Steve Blair	£466,000	5% of salary	£21,000	150% of salary	Maximum of 34%
Carolyn Zhang	US $400,000	3% of salary	US $34,000	125% of salary	17%

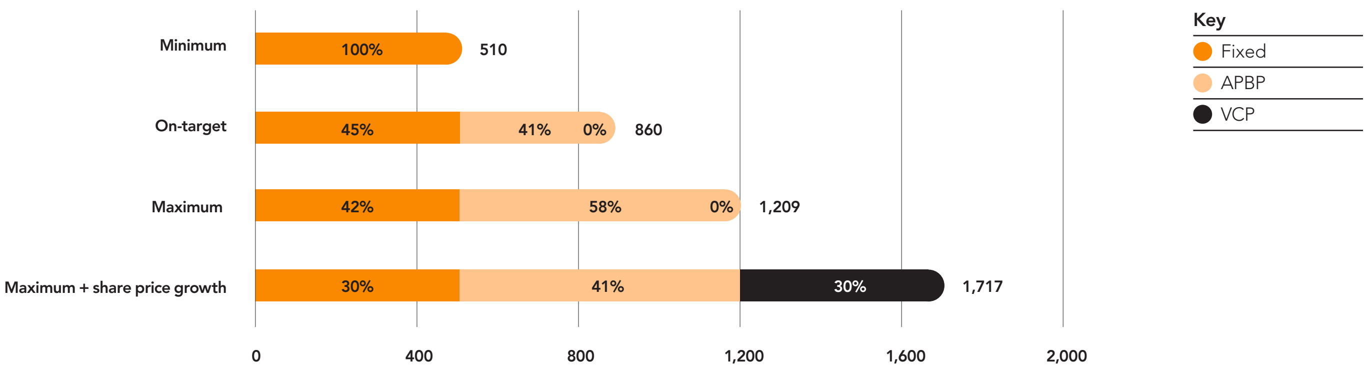
Neil Johnson will only assume the executive chair role if shareholders approve the VCP at the 2024 AGM and he is then invited to participate in the approved VCP. As executive chair, he would not be entitled to participate in the DRSP nor in any bonus scheme.

Remuneration Committee report continued

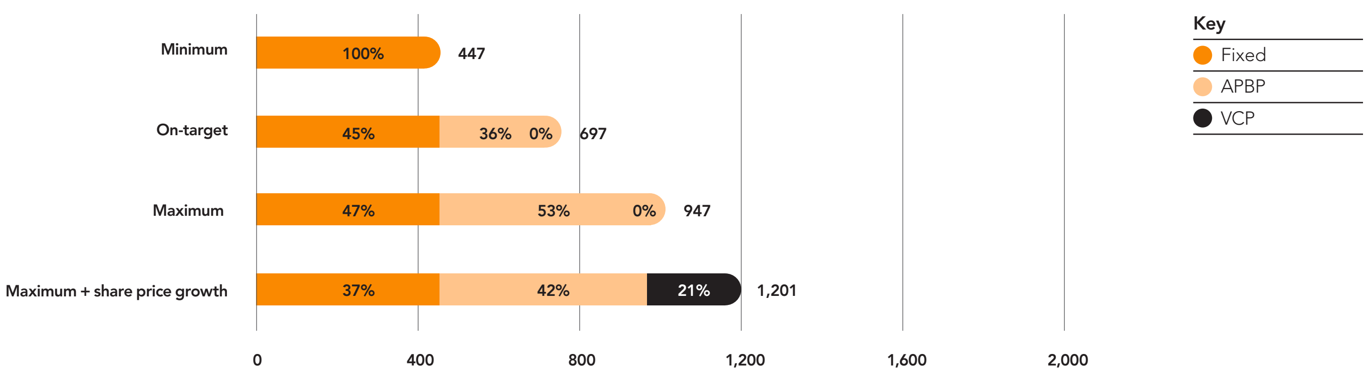
EXECUTIVE CHAIR



CEO



CFO (amounts in USD)



The "Minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the remuneration package not linked to performance.

The "Target" scenario reflects fixed remuneration as above, plus APBP pay-out of 50% of maximum. No value is shown for the VCP since nothing is earned unless total shareholder return is 110%.

The "Maximum" scenario reflects fixed remuneration plus APBP pay-out of 100% of maximum. No value is shown for the VCP since nothing is earned unless there is a very significant increase in share price.

The "Maximum with share price appreciation" scenario is based on a share price of 400p which is more than double its level on 31 March 2024. This is well above the 50% increase referred to in the regulations since 50% growth would not be enough to trigger a payout.

Remuneration Committee report continued

RECRUITMENT POLICY

In cases of appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration as follows:

Component	Approach
Salary	Executive Directors will receive a base salary which will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role.
Benefits	New appointees will be eligible to receive benefits in line with the current policy, benefits provided to the wider workforce in the same location plus (if applicable) expatriation allowances or benefits and any necessary expenses relating to an executive's relocation.
Pension	New appointees will be eligible to participate in one of the Company's defined contribution plans, or receive a cash supplement or local equivalent on the same basis as the majority of employees in the relevant jurisdiction.
APBP	The scheme as described in the Policy Table will apply to new appointees, with the relevant maximum typically being pro-rated to reflect the proportion of employment over the year. Where applicable, targets for the individual strategic element will be tailored to each executive.
VCP	Awards may be made within the overall pool size and dilution limits described in the policy table. Therefore, any awards to new hires will need to be funded by via unallocated units and/or awards forfeited by leavers.
DRSP	New appointees may be granted restricted share awards under the DRSP on the same terms as other Executives, as described in the Policy Table. The normal limit of 62.5% of salary will apply, save in exceptional circumstances where up to 75% of salary may be awarded. If the individual is granted an award under the VCP, it is likely that DRSP awards (other than to buy-out awards forfeited as described below) will be reduced or delayed until a future year.

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Dialight and shareholders.

In addition to the remuneration structure outlined above, the Committee may, in certain circumstances, choose to make an award in respect of a new appointment to "buy out" remuneration forfeited on leaving a previous employer on a like-for-like basis. If the Committee determines that it is appropriate to do so it will apply the following approach:

The fair value of these buy-out incentives will be calculated taking into account: the proportion of the performance period completed on the date of the Executive's cessation of employment; the performance conditions attached to the vesting of these incentives; the likelihood of them being satisfied; and, any other terms and conditions having a material effect on their value (Lapsed Fair Value).

The Committee may then grant up to the same fair value as the Lapsed Fair Value where possible under the Company's incentive plans (subject to the limits under these plans). The Committee, however, also retains the discretion to provide the Lapsed Fair Value under specific arrangements in relation to the recruitment of the particular individual within the constraints set out in the Listing Rules.

The approach to the recruitment of internal candidates would be similar but the Remuneration Committee would continue to honour existing contractual commitments prior to any +promotion. For the avoidance of doubt, this would not extend to pension arrangements which, as above, would be aligned with the majority of employees in the relevant jurisdiction.

For Non-Executive Directors, the Remuneration Committee and the Company would seek to pay fees in line with the Company's existing Policy. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and/or as Chair of a Board committee.

CHANGE TO POLICY FOR 2024:

- VCP added to table.

SERVICE CONTRACTS

Executive Directors' service contracts, including arrangements for early termination, are carefully considered by the Remuneration Committee. Executive Directors' service contracts contain provisions that require up to 12 months' notice of termination on either side. Such contracts do not contain any provisions for payments outside the scope of those contained in the contract. Executive Director service contracts are available to view at the Company's registered office.

Non-Executive Directors have specific terms of engagement provided in formal letters of appointment, which contain three-month notice periods that are mutual. The Non-Executive Directors are appointed for a three-year term, subject to annual re-election by the shareholders at the Company's AGM.

At the point the Chair becomes Executive Chair his new contract will comply with Company remuneration policy.

Remuneration Committee report continued

NOTICE PERIODS

Executive Directors' service contracts require up to 12 months' notice to be given by Dialight in the event of termination. Both can be terminated with and without cause and require up to 12 months' notice from either party.

Both Steve Blair's and Carolyn Zhang's contracts provide for pay in lieu of notice but do not contain any additional compensation provisions, nor do they contain liquidated damages clauses.

If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. In determining any compensation, it will take into account the best practice provisions of the UK Corporate Governance Code and published guidance from recognised institutional investor bodies, and will take legal advice on the Company's liability to pay compensation and the appropriate amount. The Remuneration Committee periodically considers what compensation commitments the Executive Directors' contracts would entail in the event of early termination. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

The Remuneration Committee will exercise discretion in making appropriate payments in the context of outplacement, settling legal claims or potential legal claims by a departing Executive Director, including any other amounts reasonably due to the Executive Director, for example, to meet the legal fees incurred in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

The table below summarises how the awards under the APBP, DRSP and VCP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion within the plan Rules.

Annual bonus	
Cash	In the event of an Executive Director leaving Dialight before the end of a bonus year or prior to the payment of a bonus, the Remuneration Committee has discretion to allow them to be paid a portion of bonus relative to their point of leaving. This will be highly contingent on the manner of the Executive Director's departure – specifically payment would only be made if they are classified as a "good leaver" pursuant to the rules of the APBP as well as business performance.
Deferred shares	For good leavers, deferred bonus shares will normally be retained by the participant and will be released in full following completion of the applicable deferral period. For other leavers, deferred bonus shares will lapse.
DRSP	
Leavers before the end of the performance or vesting period	In most circumstances, awards will lapse. If the Executive Director is classed as a "good leaver", outstanding DRSP shares would typically be pro-rated for the proportion of the vesting or performance period served and released, subject to applicable conditions, at the normal vesting date. The Remuneration Committee has flexibility to allow awards to vest earlier than above when an individual leaves; however, the default position will be for awards not to be released early except in compassionate circumstances.
Leavers after the end of the performance or vesting period	Any awards in a holding period will normally be released following completion of the holding period.
VCP	
	In most circumstances, awards will lapse. If the Executive Director is classed as a "good leaver" and has served for at least 24 months of the plan (ie, until 31 March 2026) they will remain eligible to receive their awards on the original timetable subject to pro-rating for time. The Remuneration Committee will have discretion to vest awards on cessation or to disapply pro-rating subject to the overall pool size of 7.5% and the dilution limit of 3%. Awards forfeited by leavers would remain in the pool for grants to be made to new joiners or to individuals whose roles change significantly. The value of awards lapsing due to leavers would not be shared among existing participants.

Remuneration Committee report continued

For the purpose of the above, "good leaver" is defined as a participant ceasing to be employed by the Group by reason of death, disability, ill health, redundancy, retirement with agreement of the Company or any other reason that the Remuneration Committee determines in its absolute discretion. As noted above, should the Executive Director leave the Company in any other circumstances, outstanding awards would typically lapse.

The Remuneration Committee also retains discretion in the event of a change of control to release awards under the DRSP. It is usual in this situation that awards would be pro-rated for time. In relation to the APBP, the scheme rules allow the Remuneration Committee to determine that all deferred share elements of the bonus awards will vest on a change of control and may be exercised within such period as the Remuneration Committee shall specify.

VCP awards would vest immediately on a change of control before the completion of either performance period, with value creation measured by reference to the offer price and no pro-rating for time given that the plan is based on value creation above a hurdle rather than expressed as an award of shares.

The Remuneration Committee is also mindful that it is conceivable that a shareholder agreed corporate event could occur prior to any vesting of the VCP and at a level below the VCP hurdle but where the committee believes that material progress had been made, at that time, towards the improvement in financial performance envisaged under the VCP. In those circumstances the committee would consult with major shareholders with a view to agreeing an equitable treatment of VCP participants taking into account the performance of the Share price and time elapsed.

CHANGE TO POLICY FOR 2024:

- Information added in respect of the new VCP.

EXTERNAL APPOINTMENTS

It is the Company's policy that, except in extraordinary circumstances, Executive Directors should only accept one appointment with a third party as a Non-Executive Director. Any such appointment is subject to prior Board approval and consideration will be given to potential conflicts of interest with Dialight and the time demands of the external appointment. The Executive Director concerned is entitled to retain any fees from such a non-executive directorship.

EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

The Remuneration Committee takes into account what the general rise in employee salaries was across the Company at the review date when considering changes to the remuneration of the Executive Directors. The Committee did not expressly seek the views of employees when drawing up the remuneration policy but does carry out an annual review of salaries across the Group and the Board is regularly updated on employee matters.

SHAREHOLDER VIEWS

The Remuneration Committee maintains a regular dialogue with its major shareholders and monitors trends and developments in corporate governance and market practice to ensure that the structure of executive remuneration under the new Remuneration Policy is appropriate.

The Committee consulted very extensively with major shareholders in late 2023 and early 2024 and this led to the development of the VCP. The design was tested with major shareholders who provided helpful and constructive feedback and challenge that allowed the Committee to refine the design to that proposed above.

2023/24 Annual Report on remuneration

The remuneration data reported in this section is, notwithstanding the move to USD$ reporting elsewhere in this Annual Report and Accounts, expressed in GBP£ as this more readily facilitates comparison with prior year reporting.

Single figure of total remuneration (audited information)

The following tables provide details of the Directors' remuneration for the 2023/24 (15-month) financial year, together (where relevant) with their remuneration for the 2022 (12-month) financial year, in each case before deductions for income tax and national insurance contributions:

2023/24 Directors' pay – 15 months (£'000s)	Salary/fees	Benefits[12]	Pension	Sub-total fixed	Bonus	DPSP/DRSP	Sub-total variable	Total remuneration
Executive Directors (current):								
Steve Blair[1]	56	3	3	62	–	–	–	62
Carolyn Zhang[2]	53	–	–	53	–	–	–	53
Executive Directors (past):								
Fariyal Khanbabi[3]	609	156[13]	23	788	–	–	–	788
Clive Jennings[4]	234	9	12	255	–	–	–	255
Non-Executive Directors (current):								
Neil Johnson[5]	217	–	–	217	–	–	–	217
Nigel Lingwood[6]	72	–	–	72	–	–	–	72
Lynn Brubaker[7]	49	–	–	49	–	–	–	49
Non-Executive Directors (past):								
David Blood[8]	11	–	–	11	–	–	–	11
David Thomas[9]	50	–	–	50	–	–	–	50
Gaëlle Hotellier[10]	€55	–	–	€55	–	–	–	€55
Gotthard Haug[11]	35	–	–	35	–	–	–	35
Steve Blair[1]	54	–	–	54	–	–	–	54

1 Steve Blair became an executive director on 15 February 2024, assuming the CEO role from Fariyal Khanbabi. Prior to that he had been appointed as a non-executive director on 7 June 2023. Steve was senior independent director from 7 June 2023 to 15 February 2024, Chair of the Remuneration Committee from 7 June 2023 to 31 October 2023, and Chair of the transformation committee from 1 November 2023 to 15 February 2024.

2 Carolyn Zhang was appointed as a director on 1 February 2024.

3 Fariyal Khanbabi received a salary increase from £467k to £492k with effect from 1 April 2023. She stepped down as a director on 15 February 2024 but remained as an employee through to 18 May 2024.

4 Clive Jennings stepped down as a director on 17 September 2023 and remained as an employee through to 5 October 2023 and thereafter received a total of £155,613 as pay in lieu of contractual notice and £12,535 in respect of accrued but untaken holiday.

5 Neil Johnson was appointed as non-executive Chair on 17 May 2023.

6 Nigel Lingwood became Chair of the Audit Committee on 12 January 2023 and senior independent director on 17 February 2024.

7 Lynn Brubaker was appointed as a non-executive director on 1 July 2023. She became the workforce engagement NED on 1 July 2023 and Chair of the Remuneration Committee on 1 November 2023.

8 David Blood stepped down as a non-executive director on 30 March 2023.

9 David Thomas stepped down as a non-executive director on 16 May 2023.

10 Gaëlle Hotellier became the interim-senior independent director on 12 January 2023 and stepped down as a non-executive director on 30 June 2023.

11 Gotthard Haug stepped down as a non-executive director on 30 June 2023.

12 "Benefits" does not include expenses in principle (including overseas secondment) incurred in the ordinary course.

13 This figure includes £130k of company expenses that are not considered 'taxable benefits' (representing housing rental and vehicle hire secondment costs for Fariyal Khanbabi on secondment to the US) and are disclosed in the interests of transparency.

2022 Directors' pay – 12 months (£'000s)	Salary/fees	Benefits	Pension	Sub-total fixed	Bonus	DPSP	Sub-total variable	Total remuneration
Executive Directors								
Fariyal Khanbabi	463	21	23	507	–	–	–	507
Clive Jennings	294	11	15	320	–	–	–	320
Non-Executive Directors								
David Blood	44	–	–	44	–	–	–	44
Gotthard Haug	44	–	–	44	–	–	–	44
Gaëlle Hotellier	€73	–	–	€73	–	–	–	€73
Karen Oliver	123	30	–	153	–	–	–	153
David Thomas	55	–	–	55	–	–	–	55
Nigel Lingwood	7	–	–	7	–	–	–	7

2023/24 Annual Report on remuneration continued

ADDITIONAL DISCLOSURES (AUDITED INFORMATION)

EXECUTIVE DIRECTORS' BENEFITS

Executive Directors receive benefits comprising life insurance, healthcare and car allowances.

PENSIONS

The figure includes the amount of Company pension contributions to executive directors' during the year. Steve Blair received Company contributions of 5% of his base salary (paid in cash). Fariyal Khanbabi received Company contributions of 5% of her base salary (electing, mid-year, to receive a cash payment in lieu of the employer contribution). Clive Jennings received Company contributions of 5% of his base salary (paid in cash). The Company is fully compliant with the requirement that Executive Directors' pension contributions are aligned with the average pension contribution of the Group's UK workforce (a rate of 5%) or the Group's US workforce (as applicable).

APBP

Following adoption of the 2021 Remuneration Policy, the APBP for Executive Directors operates on the basis that is set out in the Remuneration Policy report on pages 72 to 75. Maximum bonus potential, paid in a mixture of cash and, in respect of performance above target, shares, is 150% of salary for the CEO and 125% of salary for the CFO. The 2023 Executive Director APBP was based on two elements: 50% of the available bonus pot being payable against an EBIT metric and 50% against Absolute Net Debt. The performance ranges of the 2023 EBIT and Absolute Net Debt performance were as follows:

	Threshold	Target	Maximum	Actual
EBIT element (after provision for bonus)	£6m	£8m	£8m	£2.3m
Absolute Net Debt	£15.5m	£13.5m	£12.5m	£13.0m

As set out above, neither the EBIT nor absolute net debt performance met the threshold targets and therefore no payments were made in respect of the APBP.

DPSP AND DRSP AWARDS (AUDITED INFORMATION)

Under the 2021 Remuneration Policy the Company's DPSP scheme was replaced by a DRSP scheme (see page 64). Accordingly, awards of DRSPs were made to the Executive Directors in the awards window following the release of the Group's preliminary results on 27 March 2023 as set out on page 76. The DPSP awards made in 2020 to Fariyal Khanbabi (with the applicable three-year performance testing period ended on 27 March 2023) lapsed in their entirety as the relevant performance conditions were not achieved.

CEO PAY – PAY RATIO METHODOLOGY

The table on page 74 discloses the ratio of the CEO's pay against the remuneration of the Group's UK workforce in 2023/23. The ratios have been calculated in accordance with "Option A" of the three methodologies provided under the applicable regulations, which we believe to be the most statistically appropriate approach. This data is presented against the comparable, indicative, full-time equivalent total remuneration of those employees whose pay is ranked at the 25th percentile, median and 75th percentile in the Group's UK workforce. Where possible, employee pay was calculated based on actual pay and benefits for the 12-monthly payrolls within the full financial year. Given the small size of the Group's UK workforce, we have adopted the following protocols to avoid skewing the figures: if a role was maintained but the individual(s) in such role changed, the figure provided in respect of such role has been calculated on a pro-rata basis for the two or more relevant individuals; and, if there was a new role or a role was eliminated, the figure provided was calculated as an annualised rate for such role. It should be noted that all the Group's manufacturing operations and most of its employees are located outside of the UK and therefore do not fall within the reporting requirements.

CEO PAY – PAY RATIO DISTORTING EVENTS IN 2023/24, 2020 AND 2021

The 2023/24 ratio is a blended ratio to reflect the short period from 15 February 2024 to 31 March 2024 when Steve Blair was CEO (and paid below the rate received by Fariyal Khanbabi). The 2020 and 2021 ratios were impacted by the COVID-19 pandemic and resulted in adjustments in Group Remuneration Policy to achieve a more equitable outcome for all employees across the Group at a challenging time for our employees, supply chain and markets. In 2020, the impact was primarily the non-payment of any variable remuneration, and by the voluntary reduction in CEO base pay across five months of the year by 20% (a progressive COVID-19 salary reduction policy under which the most highly paid executives in the Group voluntarily surrendered a higher percentage of their salary), and by layered salary reductions (with the reductions for employees declining in percentage terms at lower pay thresholds). These voluntary deductions have not been subsequently paid to the CEO or any employee. In 2021 the impact was less marked (as all elements of variable remuneration were paid), but the annual incremental pay review was deferred for those Executives on the highest salaries until 1 October 2021 (for employees in our manufacturing operations the equivalent date was 1 May 2021).

Year	25th percentile ratio	50th percentile ratio	75th percentile ratio
2023/24	**10.8:1**	**8.7:1**	**5.8:1**
2022	8.2:1	6.3:1	3.7:1
2021	8.3:1	6.0:1	3.6:1
2020	11.7:1	7.7:1	5.6:1
2019	10.8:1	8.4:1	5.3:1

2023/24 Annual Report on remuneration continued

DIRECTOR PAY – PERCENTAGE CHANGE IN THE REMUNERATION OF THE DIRECTORS

The following table sets out the change in remuneration paid to the Directors with continuity of service from 2022 to 2023/24 compared with the average percentage change for employees as a whole. The above notes in respect of comparison of pay ratio calculations apply. The main benefits provided include healthcare, life insurance and car allowance. There has been no change in the level of benefits provided to Group employees. The salary and benefits changes have been calculated based on an annualised equivalent for the 15-month period ending 31 March 2024.

	% change 2022 – 2023/24			
	CEO	CFO	Non-Executive Directors	Group employees
Salary	5.5%	5.5%	3%	4.2%
Bonus	0%	0%	–	0%
Benefits	0%	0%	–	0%

RELATIVE IMPORTANCE OF SPEND ON PAY

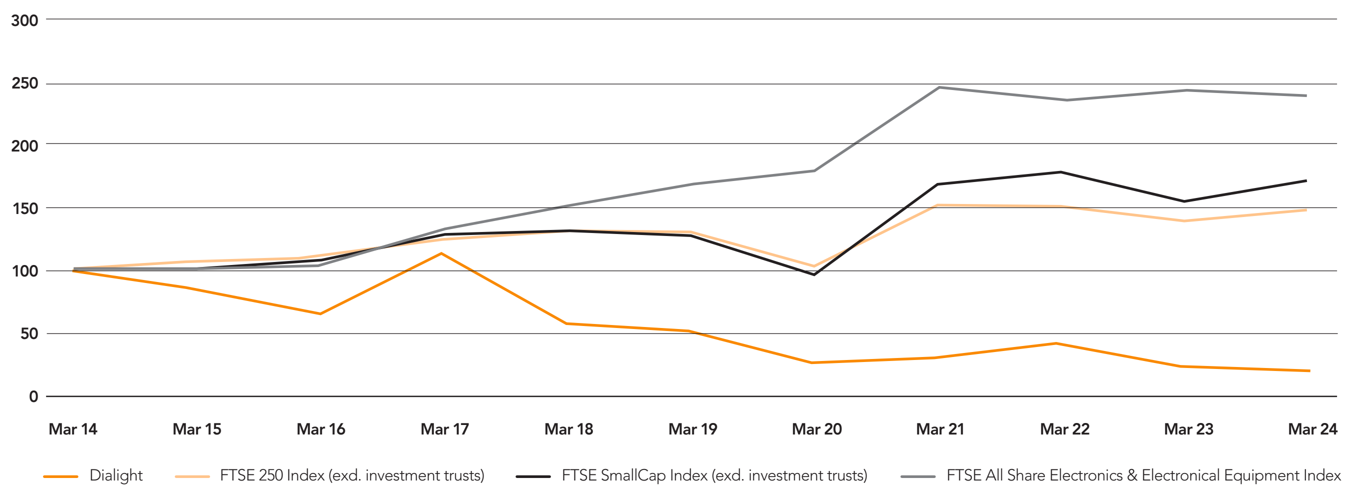
The table below shows the total amount paid by the Company to its employees (excluding severance costs) for each of 2022 and 2023/24 relative to the total amount of distributions in each year:

	Spend on pay	Distributions
2023/24	£44.0m	£0m
2022	£36.6m	£0m

PERFORMANCE GRAPH AND TABLE

The graph below sets out the Company's TSR performance over the past 10 years relative to the FTSE 250 Mid Index (excluding investment trusts), the FTSE SmallCap Index (excluding investment trusts) and the FTSE All Share Electronic & Electrical Equipment Index, indices of which Dialight has been a constituent during the period.

Source: Datastream



TOTAL CEO REMUNERATION

The table below sets out the "single figure" of total remuneration of the CEO over the past ten years:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023/24 (12-month comparator)	2023/24 (actual)
	R Burton	R Burton R Stuckes M Sutsko[1]	M Sutsko	M Sutsko	M Rapp	M Rapp F Khanbabi[2]	F Khanbabi[3]	F Khanbabi	F Khanbabi	F Khanbabi[5] S Blair[5]	F Khanbabi[5] S Blair[5]
Total remuneration (£'000)	**£930**	**£697**	**£1,182**	**£602**	**£605**	**£573**	**£447**	**£911**	**£507**	**£531**	**£850**
Bonus outcome (% of maximum)	29%	0%	74%	0%	0%	0%	0%	62.5%	0%	0%	0%
PSP vesting outcome (% of maximum)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

1 R Burton January and February, R Stukes March to June and M Sutsko July to December.
2 M Rapp to 9 August, F Khanbabi from 10 August.
3 F Khanbabi as Interim CEO to 4 March and as permanent CEO from 5 March.
4 2023/24 was a 15-month reporting period – the actual CEO "single figure" data for the 15-month period is shown in the right-hand column – with a 12-month comparator shown in the adjacent column.
5 F Khanbabi to 15 February 2024, S Blair from 15 February 2024.

2023/24 Annual Report on remuneration continued

DRSP AWARDS MADE IN 2023 (AUDITED INFORMATION)

DRSPs were granted to Fariyal Khanbabi and Clive Jennings as set out below. In accordance with the Remuneration Policy, awards were made with vesting conditional on: (a) the recipient remains in role as at the vesting date; and (b) the Remuneration Committee is satisfied that Dialight's underlying performance and delivery against strategy are sufficient to justify the level of pay-out. A mandatory two-year post-vesting holding period would have applied to any shares received by Executive Directors on the vesting or exercise of these awards (as well as any other applicable restrictions – see page 70). In prior years the Remuneration Committee has considered a reduction in awards to reflect any prior-year fall in the share price – so for instance, in 2020, the awards under the then DPSP scheme were reduced by 25% to reflect a significant fall in the Company's share price between March 2019 and March 2020 – a total fall in the share price of 55.9%. A similar analysis was conducted prior to all subsequent awards of DRSPs. Across the previous 12 months (to April 2023), the share price had fallen by 45%. The Remuneration Committee considered this at length, noting that the Group's performance had reflected, at least in a material part, external factors and that nothing was earned by the executive directors from incentive plans in 2022. Having considered these factors it was determined that, on balance, no reduction should be made against the level of DRSPs awarded. It should be noted that these awards have now lapsed as a result of the individuals leaving the Group.

	Director	
	Fariyal Khanbabi	Clive Jennings
Plan	DRSP	DRSP
% of salary awarded	62.5%	50%
Nature of interest	Nil-cost option	Nil-cost option
Exercise price per share	n/a	n/a
Number of shares subject to an award[1]	151,547	76,618
Face value of an award[1]	£307,792	£155,611
Performance conditions	Recipient remains in role as at the date of vesting, and the Remuneration Committee is satisfied that the Company's underlying performance and delivery against strategy is sufficient to justify the level of pay-out	
Date of grant of award	5 April 2022	5 April 2022
Date of end of performance period	5 April 2025	5 April 2022
Outcome	100% lapse on termination[2]	100% lapse on termination[2]

1 Based on five-day average share price on date of award of £2.031.
2 Awards made to C Jennings lapsed on termination on 5 October 2023, and awards made to F Khanbabi lapsed on termination on 18 May 2024.

PAYMENTS TO PAST DIRECTORS OR FOR LOSS OF OFFICE (AUDITED INFORMATION)

David Blood (30 March 2023), David Thomas (16 May 2023), Gaelle Hotellier (30 June 2023) and Gotthard Haug (30 June 2023) all stepped down as non executive directors during the reporting period, having served notice of their intent to resign. No exit or other termination payments were made to them.

Clive Jennings resigned as a director on 17 September 2023. He left Dialight on 5 October 2023. Between 17 September 2023 and 5 October 2023 Clive was paid contractual salary and benefits in the ordinary course. Thereafter, Clive was paid £155,613 in lieu of notice in six monthly instalments of £25,935.50 together with a payment for accrued and untaken holiday. No other exit or other termination payments were made to him with the exception of £1,000 in respect of legal fees. All DRSP awards lapsed on exit.

Fariyal Khanbabi resigned as a director on 15 February 2024. She left Dialight on 18 May 2024. Between 15 February 2024 and 18 May 2024 Fariyal was paid contractual salary and benefits in the ordinary course. No exit or other termination payments were made to her with the exception of accrued and untaken holiday. All DPSP and DRSP awards lapsed on exit.

No bonus was paid in respect of the financial year for 2023/24 and Fariyal Khanbabi did not retain any rights in any share scheme.

Implementation of the remuneration policy for 2024/25

2024/25: EXECUTIVE DIRECTOR SALARIES, PENSIONS AND BENEFITS

A new, 2024 Remuneration Policy (the 2024 Policy) will be put to shareholders for approval at the 2024 AGM in September 2024. If the 2024 Policy is adopted, remuneration thereafter (including benefits) for all Executive Directors in 2024/25 will comply with that policy.

Steve Blair was appointed as CEO on 16 February 2024 on a salary of £466,000 and Carolyn Zhang was appointed as CFO on 1 February 2024 on a salary of US $400,000 (USD). Neither will receive a salary increase for the 2024/25 financial year. Both will receive pensions in line with the wider workforce in their respective locations – i.e. 5% and 3% of salary, respectively. Annual fee increments of 3% will be applied for the 2024/25 reporting period in line with the average increases applied to the wider workforce.

2024/25 APBP

The 2024/25 APBP bonus scheme for Executive Directors will be in line with that set out in the 2021 Policy. The 2021 Policy may be superseded by the 2024 Policy (if adopted by shareholders at the 2024 AGM) but the 2024 Policy reflects the same approach to annual bonus structure as set out in the 2021 Policy. In respect of the 2024/25 reporting period, the following APBP performance metrics have been set (with no element of the bonus apportioned to individual targets, to reflect the primacy of these three performance metrics): 20% against a cash conversion metric (for which a net debt target is used); 40% against an EBIT metric; and, 40% against a revenue metric. Any bonus payable in excess of target performance (50% of the bonus opportunity) will be paid in shares. 50% of such shares will vest after two years from award date and 50% after three years from award date. Any shares vesting will have to be retained until such time as the recipient meets the applicable shareholding guidelines.

2024/25: DRSP

No share scheme awards for Executive Directors will be made until after the 2024 AGM. At the 2024 AGM a proposal will be made for the adoption of a Value Creation Plan (VCP) (see page 63). Further details on the VCP will be provided in the notice of AGM. If the VCP is adopted by shareholders at the 2024 AGM, awards under the VCP will be made to the executive Directors in the awards window following the 2024 AGM. If the VCP is not adopted at the 2024 AGM, awards under the DRSP will be made to executive Directors. Any VCP awards made will comply with the structure set out in the 2024 Policy if adopted. Any shares that vest after the relevant performance period and holding period (together being not less than 5 years) will also have to be retained until such time as the recipient meets the applicable shareholding guidelines.

	Type of award	Award date	Number at 01.01.23	Awarded in year	Vested in year	Exercised in year	Lapsed in year	Number at 31.03.24	Exercise price	Earliest vesting/ exercise date	Expiry date
Fariyal Khanbabi											
PSP	NCO	27.03.20	201,367	–	–	–	201,367	–	–	–	–
RSP	NCO	19.05.21	89,547	–	–	–		89,547	–	19.05.24	19.05.26
RSP	NCO	05.04.22	79,120	–	–	–		79,120	-	05.04.25	05.04.27
APBP	NCO	05.04.22	24,327	–	12,163	12,163	–	12,164	–	31.01.24	05.04.27
RSP	NCO	05.04.23	–	151,547	–	–	–	151,547	–	05.04.26	05.04.28
Total			394,361	151,547	12,163	12,163	(201,367)	332,378			
Clive Jennings											
RSP	NCO	05.04.22	41,201	–	–	–	41,201	–	–	–	–
RSP	NCO	05.04.23	–	76,618	–	–	76,618	–	–	–	–
Total			**41,201**	**76,618**	**–**	**–**	**117,819**	**–**			

Notes:

NCO denotes nil-cost options. Those under the DPSP were subject to applicable TSR and EBIT-related performance conditions.

The average closing market price of a share over the five trading days of 29 March 2023 to 4 April 2023, which was used for the purpose of calculating award values on 5 April 2023 (the date of the awards recorded in the tables above as made during the year) was 203.1 pence.

Awards granted since 2018 are subject to a mandatory two-year post-vesting holding period.

Options under the APBP are exercisable for five years from the date of grant.

Under the APBP scheme, awards vest 50% on or after 31 January in the second year after grant with the remaining 50% vesting on or after 31 January in the third year after grant.

During the 2023/24 reporting period, the range of share prices was 144 pence to 325 pence, with the price on 31 March 2023 being 174.50 pence.

All share options held by Fariyal Khanbabi as at 31 March 2024 lapsed automatically on her departure on 18 May 2024.

Implementation of the remuneration policy for 2024/25 continued

EXECUTIVE DIRECTORS' SHAREHOLDING GUIDELINES

Executive Directors are required (under the 2021 Remuneration Policy) to accumulate and maintain a holding of Dialight shares equivalent in value to 200% of base salary and are required to retain all net of tax APBP and DPSP/DRSP share vestings until the guidelines have been met. All Dialight shares, whether purchased on the open market or received through vestings and/or exercises under the various Dialight share plans, are included in the relevant calculation. The Dialight share price used to value a holding for the purposes of the guidelines will be the higher of: (a) the prevailing price on the date that the holding is valued (on the last working day of the relevant financial year); and (b) the acquisition price (i.e. the price on the date on which the shares were acquired/awards vested).

The Remuneration Committee is aware of the significance of Executive Directors having a personal holding of shares in Dialight (to align management's interests with those of the shareholders) and acted to further strengthen the shareholding guidelines under the terms of the 2021 Policy. This approach is maintained under the proposed 2024 Policy. Both Carolyn Zhang and Steve Blair have assumed Executive Director roles within 2 months of the end of the Reporting Period. Steve Blair had acquired 31,446 shares in Dialight during his term as a Non-Executive Director, and under the terms of the proposed VCP he would have to acquire a total shareholding of at least £150,000 by 31 March 2025 in order to be eligible for the VCP. Although the Committee recognises that neither Executive Director has yet acquired the shareholding required, the Remuneration Committee acknowledges the mitigating circumstances surrounding this issue. The holdings of ordinary shares in the Company as at 31 March 2024 by the Executive Directors are shown below.

TOTAL SHAREHOLDING OF DIRECTORS (AUDITED INFORMATION)

The table below shows the holdings of ordinary shares in the Company as at 31 March 2024 by each of the Directors:

	Beneficially held shares[1]		
Year	Ordinary shares at 1 January 2023	**Ordinary shares at 31 March 2024**	Unvested and/or subject to performance conditions[2]
Steve Blair[3, 4]	–	**31,446**	–
Carolyn Zhang[3]	–	**–**	–
Neil Johnson[4]	–	**96,393**	–
Lynn Brubaker	–	**25,157**	–
Nigel Lingwood	–	**11,289**	–

1 Some of these shares may be held through nominees.
2 Relates to outstanding awards (if any) under the DRSP and APBP.
3 Both Steve Blair and Carolyn Zhang are required to build up a shareholding equivalent in value to 200% of their base salary within 5 years of their appointment.
4 Both Neil Johnson and Steve Blair will be required to purchase £150,000 worth of Dialight shares by 31 March 2025 in order to be eligible for VCP payouts.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The dates on which Directors' initial service agreements/letters of appointment commenced and the expiry dates as at 31 March 2024 are as follows:

Directors	Commencement date	Expiry date of current employment/service agreement or letter of appointment
Steve Blair	15 February 2024	The contract is terminable by the Company or the Director on twelve months' notice.
Carolyn Zhang	1 February 2024	The contract is terminable by the Company or the Director on six months' notice.
Neil Johnson	17 May 2023	Letter of appointment was for an initial term of three years.
Lynn Brubaker	1 July 2023	Letter of appointment was for an initial term of three years.
Nigel Lingwood	1 November 2022	Letter of appointment was for an initial term of three years (ending on 31 October 2025).

- The Chair and CEO would both be required to acquire £150,000 worth of Dialight shares by 31 March 2025 to be eligible for VCP payouts.

Directors' report

The Directors present their report and the audited consolidated financial statements of Dialight plc for the year ended 31 March 2024.

ACTIVITIES

Dialight plc is a holding company. Our businesses by sector and their activities are set out on pages 138 to 139.

ORDINARY DIVIDENDS

The Company has repaid in full, during the reporting period its COVID-19 CLBILS and associated additional commercial loan facilities. Those facilities had previously prevented distributions by the Company. Notwithstanding the repayment of the CLBILS facilities, the Board is not proposing any final dividend payment for 2023/4 (2022: nil). The Group has a clear capital allocation discipline and is committed to returning future excess funds to shareholders via future dividend or share repurchase.

The Company has established the Dialight Employee Share Ownership Plan Trust ("ESOT"), in respect of which all employees of the Group, including Executive Directors, are potential beneficiaries. The ESOT held 192,675 shares in the Company as at 31 March 2024 (2022: 225,451). It acquired a small number of shares in April 2024 69,281and it is likely that it will acquire further shares in the Company in 2024/5 in anticipation of future vestings under the 2023 DRSP and the 2014 DPSP. It is anticipated that the ESOT will waive any right to dividends payable in respect of any Dialight shares held by the ESOT.

SHARE CAPITAL AND CAPITAL STRUCTURE

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 11 to the financial statements. The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Articles of Association (the "Articles") and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid. No purchases by the Company of its own shares were made in 2023/4 under the authority granted at the 2023 Annual General Meeting ("AGM").

RIGHTS AND OBLIGATIONS OF ORDINARY SHARES

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not themselves being a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions).

On a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

RESTRICTIONS ON TRANSFER OF SHARES

There are no specific restrictions on the transfer of the Company's shares, although the Articles contain provisions whereby Directors may refuse to register a transfer of a certificated share which is not fully paid. There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws). The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

SUBSTANTIAL INTERESTS IN SHARES

As at 23 July 2024, the Company had been notified, in accordance with DTR chapter 5, of the following voting rights as a shareholder of the Company.

Shareholder	Holding	% Voting rights
Generation Investment Management LLP	6,532,248	16.32
Odyssean Capital	6,444,000	16.10
Aberforth Partners LLP	6,218,568	15.54
Schroder Investment Management	5,061,963	12.65
The Wellcome Trust Ltd	3,698,639	9.24
Sterling Strategic Value Fund S.A., SICAV-RAIF	3,342,517	8.35
Blackmoor Investment Partners	1,378,979	2.85

EMPLOYEE SHARE PLANS

Details of employee share plans are set out in note 16 to the consolidated financial statements. The Company currently has in place two share plans: the 2023 Restricted Share Plan ("2023 DRSP") (which succeeded the 2014 Dialight Performance Share Plan ("2014 DPSP"), but under which granted options will continue to vest for their respective vesting periods) and the Annual Performance Bonus Plan ("APBP"). The 10-year fixed term for the grant of options under the Company's 2014 Sharesave Plan expired on 15 April 2014, and there are no active savers under the Sharesave Plan. Further details of these share plans are provided in the report of the Remuneration Committee.

Directors' report continued

The rules of the 2023 DRSP (and the preceding 2014 DPSP, under which terms granted options will continue to vest until each relevant vesting period ends) provide that, in the event of a change of control through a general offer or scheme of arrangement, shares subject to awards under the 2023 DRSP (and the 2014 DPSP) could be released within one month of the date of notification of the likely change of control. The ESOT held 192,675 shares as at 31 March 2024 (2022: 225,451). It acquired a small number of shares in April 2024 (69,281) and it is likely that it will acquire further shares in the Company in 2024/5 in anticipation of future vestings under the 2023 DRSP and the 2014 DPSP. The Trustees of the ESOT retain the voting rights over the shares held in the ESOT and may exercise these rights independent of the interests of the Company.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of Directors of the Company is governed by the Company's Articles, the UK Corporate Governance Code (the "2018 Code"), the Companies Act 2006 and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next AGM and shall then be eligible subject to Board recommendation, for election at that meeting. In accordance with Provision 18 of the 2018 Code each of the Directors, being eligible, will offer themselves for election or re-election at the 2024 AGM (subject to any retirements). The Company can remove a Director from office, either by passing a special resolution or by notice being given by all the other Directors. The Articles may be amended by special resolution of the shareholders.

POWERS OF DIRECTORS

The powers of Directors are described in the Articles and in the Matters Reserved to the Board, copies of which are available on the Company's website at www.dialight.com/ir, and are summarised in the Corporate Governance report on page 42.

DIRECTORS' INDEMNITIES

Qualifying third-party indemnity provisions (as defined by s234 of the Companies Act 2006) were in force in the reporting period for the benefit of the then Directors of the Company and the then Directors of certain subsidiaries of the Company in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and/or office. The Group also maintains Directors' & Officers' liability insurance which gives appropriate cover for legal action brought against any Directors of the Company and/or its subsidiaries.

ESSENTIAL CONTRACTS AND CHANGE OF CONTROL

The Directors are not aware of there being any significant agreements that contain any material change of control provisions to which the Company is a party, other than in respect of the five-year unsecured US $34.0m multi-currency revolving credit facility with HSBC Bank plc ("HSBC") which was entered into on 21 July 2022 for an initial duration of four years expiring 21 July 2026. Under the terms of this facility, and in the event of a change of control of the Company, HSBC can withdraw funding and all outstanding loans; accrued interests and other amounts due and owing become payable within 20 business days of the change.

ALLOTMENT AUTHORITY

Under the Companies Act 2006, the Directors may only allot shares if authorised by shareholders to do so. At the 2024 AGM, an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value that is in line with Investment Association guidelines. In accordance with the Directors' stated intention to seek annual renewal, an authority granted at the 2023 AGM will have expired by the time of the 2024 AGM. Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the 2024 AGM, a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 10% of the issued share capital of the Company as at the relevant date set out in the notice of the 2024 AGM, of which 5% of the issued share capital can only be issued for the purposes of financing an acquisition or other capital investment. Whilst it believes that it is entirely appropriate (not least for administrative purposes), and in line with good corporate practice, to seek the allotments that will be set out in the notes accompanying the resolutions to be considered at the 2024 AGM (the "Notes"), it has again provided additional assurance, in the Notes, for shareholders with regard to the circumstances under which such powers may be exercised. In particular, the Company notes that in excess of 88% of voting shareholders supported the allotment resolutions at the 2023 AGM.

Directors' report continued

AUDITOR

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make herself/himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. The Board is recommending to shareholders the re-appointment of Grant Thornton as auditor of the Company and a resolution authorising the Directors to set its remuneration will be proposed at the forthcoming AGM. Grant Thornton was first appointed as the Company's auditor in 2023, following a competitive tender exercise in 2022.

AGM

The Company's AGM will be held on 23 September 2024. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.dialight.com/ir.

SCOPE OF THE REPORTING IN THIS ANNUAL REPORT AND ACCOUNTS

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor's Report, for the 15-month period ended 31 March 2024.

The Corporate Governance report set out on pages 33 to 81, which includes details of the Directors who served during the year, forms part of this report.

There have been no significant events since the balance sheet date, other than:

- the multicurrency revolving credit facility of $34.0m with HSBC was extended on 14 June 2024 to 21 July 2026 on the same terms as the original revolving credit facility agreement; and
- the disposal of the Company's non-core rail and traffic business to Leotek Electronics USA, LLC for US $5.8million USD.

An indication of the likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report on pages 02 to 31. Details related to employee matters are in the "Our people" section on pages 14 and 15. Environmental matters, including greenhouse gas emissions reporting, are included within the ESG Report on pages 11 to 18. Information about the use of financial instruments by the Company and its subsidiaries is given in note 29 to the financial statements. The Company made no political donations during the year.

For the purposes of compliance with DTR R(2) and DTR 4.1.8 R, the required content of the management report can be found in the Strategic Report and these regulatory disclosures, including the sections of the Annual Report and Accounts incorporated by reference.

By order of the Board.

Richard Allan
Company Secretary
29 July 2024

Directors’ responsibility statement

Directors are responsible for preparing the Annual Report (including the Directors’ Report, the Strategic Report, the Directors’ Remuneration Report and the Corporate Governance Statement) and the Financial Statements of the Group and the Parent Company, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under the law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland). Directors must be satisfied that the financial statements give a true and fair view of the state of affairs of the Group and Parent Company and of the Group’s profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and to then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable, and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with the UK-adopted international accounting standards;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with the CA 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor’s report on these financial statements provides no assurance over the ESEF format.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website (www.dialight.com), on which this Annual Report and Accounts are published. Legislation in the UK governing the preparation and publication of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT.

Each of the Directors, at the date of approval of this Annual Report and Accounts, confirms that to the best of her/his knowledge:

- the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group’s position and performance, business model and strategy;
- the Group and Parent Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in consolidation taken as a whole; and
- the Strategic Report and corporate governance reports include a include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Steve Blair
Group Chief Executive
29 July 2024

FINANCIAL STATEMENTS

Independent auditor's report to the members of Dialight plc

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Dialight plc (the "Parent Company" and its subsidiaries (the "Group") for the period from 1 January 2023 to 31 March 2024, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Total Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statements of Cash Flows, the Company balance sheet, the Company Statement of Changes in Equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the going concern paragraph in note 2(b) in the financial statements which indicates that the Directors believe the Group will be able to deliver on its transformation plan, generate forecast organic sales growth and realise cost reductions within the next 12 months. The Directors recognise that the transformation plan is in its early stages and as such, a reliable history of its effectiveness is not yet available. In the reverse stress test, whilst revenues are forecast to decrease from FY24 to FY26, total gross profit is forecast to increase by 3% between FY24 to FY26. As a result, the Group are required to increase total gross profit in excess of this level in order to avoid breaching covenants. The directors have therefore concluded that a plausible risk of covenant breaches and insufficient liquidity exists within the reverse stress test scenario.

Further, the legal claim against the Company by Sanmina, which is outlined in note 26 represents a possible adverse outcome outside of the Group's control which could result in a material cash outflow. In this scenario, the Group would have insufficient liquidity in the going concern period in management's downside case, without taking mitigating actions or securing additional funding.

In addition, the Company has sought retrospective covenant waivers from the Group's bank. The waivers are subject to legal finalisation at the date of approval of the financial statements.

As stated in the going concern paragraph in note 2(b), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

OUR EVALUATION OF MANAGEMENT'S ASSESSMENT OF THE ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included obtaining management's going concern forecast covering the period to 31 March 2026 and performing the following procedures:

- Obtained an understanding of the key controls over management's going concern forecast including those over the inputs and assumptions used in the forecast;
- Obtained management's forecasts and performed arithmetical and model integrity checks on the forecast cash flows;

Independent auditor's report to the members of Dialight plc
continued

- Challenged management's key trading, working capital and cash flow assumptions made within the forecasts by comparing management's forecasted position against their historic position;
- Obtained management's downside scenarios (including management's downside case (lower revenue and margin and lower revenue and margin and adverse Sanmina outcome) and reverse stress test), which reflect management's assessment of uncertainties. We evaluated the assumptions regarding the forecast period under each of these scenarios;
- Assessed the accuracy of management's past forecasting for the previous two financial years by comparing management's forecasts to actual results for those years and have considered the impact on the plausibility of the going concern forecast;
- Evaluated management's assessment on whether there were any breaches in covenants in the period;
- Evaluated events that occurred post balance sheet date and challenged management as to whether these have been correctly reflected in the forecasts prepared; and
- Evaluated the completeness and accuracy of the directors' assessment of the material uncertainty by assessing the disclosure against information available in the public domain and the board minutes, and through our inquiries with management, the finance team, legal counsel and the board of directors.

OUR RESPONSIBILITIES

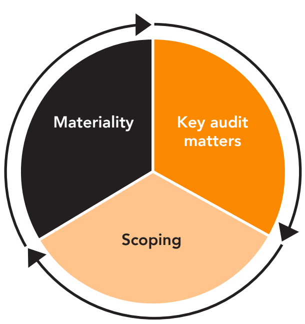
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern. The responsibilities of the directors with respect to going concern are described in the "Responsibilities of directors for the financial statements" section of this report.

REPORTING UNDER THE UK CORPORATE GOVERNANCE CODE

Except for the material uncertainty identified above, in relation to the Group's and the Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting and directors' identification in the financial statements of any material uncertainties related to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

OUR APPROACH TO THE AUDIT

Overview of our audit approach



Overall materiality:

Group: US $1,136,000 which represents 0.5% of the Group's total revenue.

Parent company: US $1,025,000, which represents 1% of the Parent Company's total assets, Parent Company component materiality has been capped at an amount less than group materiality for group audit purposes (US $738,000).

Key audit matters were identified as:

- Risk of fraud in revenue recognition (Group)
- Valuation & Allocation of goodwill and other intangible assets (Group)
- Valuation & Allocation of inventory (Group)
- Going concern (Group)
- Management override of controls (Group)
- Valuation & Allocation of Parent Company's investments (Parent company)

The auditor's report for the year ended 31 December 2022 included four key audit matters that have not been reported as key audit matters in our current year's report.

We have performed an audit of the financial information using component materiality (full scope audit procedures) on the financial information of Dialight plc (Parent Company) and Dialight Corporation (USA).

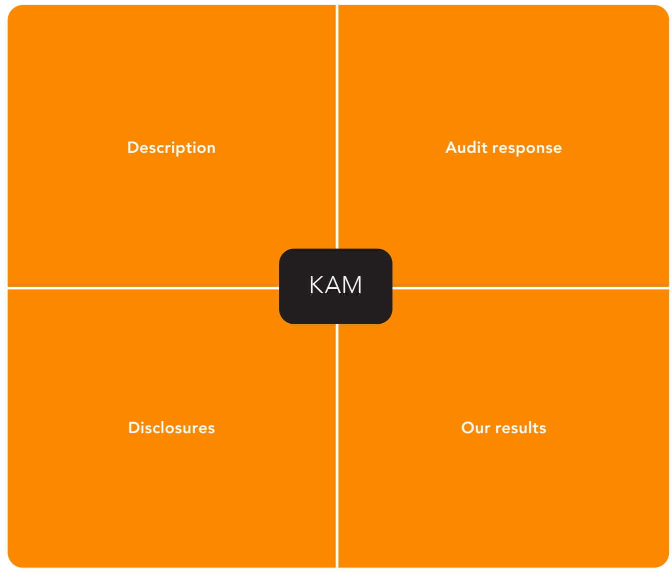
We performed specified audit procedures and specific-scope audit on the financial information of three components Dialight Penang Sdn, Dialight Europe and Dialight ILS Australia. Analytical procedures were performed on all other entities within the Group.

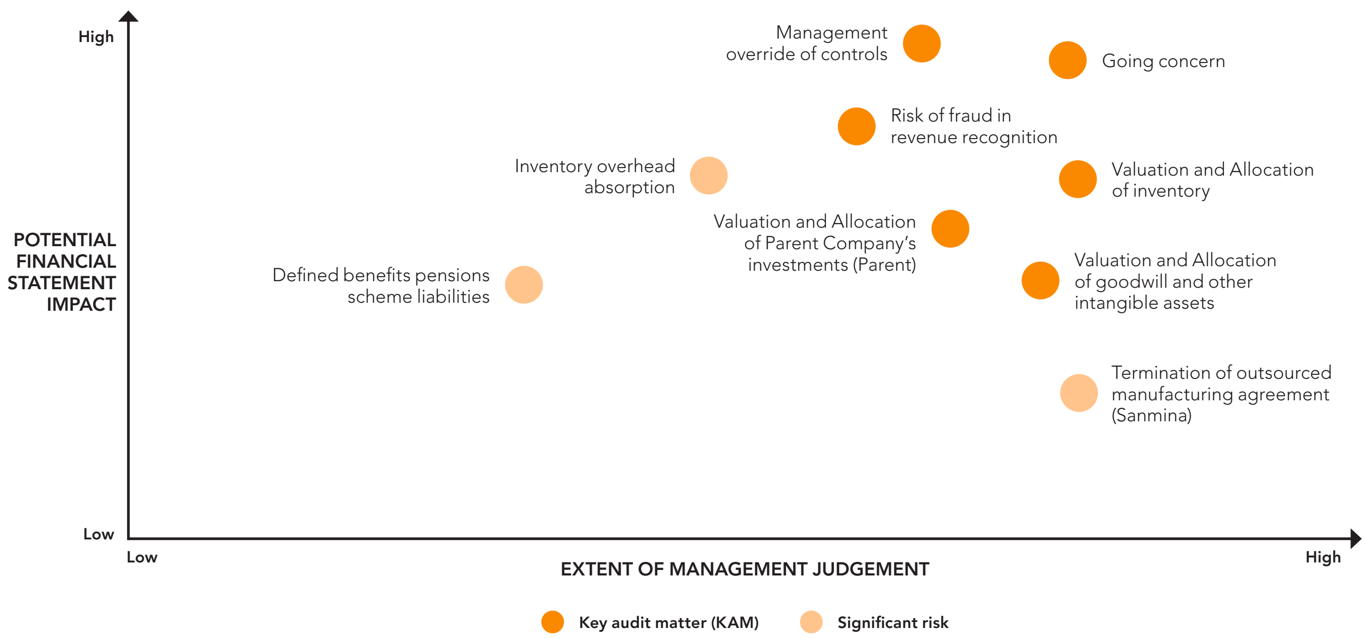
Independent auditor's report to the members of Dialight plc
continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter(s) described below to be the key audit matter(s) to be communicated in our report.

In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.





Independent auditor's report to the members of Dialight plc
continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Risk of fraud in revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumption that there is a risk of fraud in revenue recognition. Given we would expect revenue recognition to follow the revenue cycle process, we pinpointed the significant risk of fraud in revenue recognition to the occurrence of the revenue transactions that do not follow the expected transaction process ("outliers"), which we have defined as unusual transactions and therefore subject to a higher risk of fraud Group revenue for the 15 months period totals $226.0m (12-month period 2022: $209.8m).	In responding to the key audit matter, we performed the following audit procedures: • Understood the revenue to receivables to cash process, including performance of a walkthrough to assess the design and implementation of key controls to confirm that revenue is moving through the cycle in line with our expectation. • Evaluated management's revenue recognition policies and assessed compliance with IFRS 15'Revenue from Contracts with Customers' by performing an assessment of contract terms for a sample of customers with varying terms, across all key jurisdictions; • Having gained an understanding of the revenue cycle process, we utilised audit data analytics to identify unusual transactions outside of the revenue cycle process of in-scope components. We checked the nature of these transactions and agreed the transactions to relevant underlying information and revenue accounting recognition accounting policies, including compliance with IFRS 15; • Performed substantive testing on a sample of revenue to obtain evidence over the occurrence and accuracy of the transaction, including supporting third party documentation such as evidence of dispatch and cash collection.
Relevant disclosures in the Annual Report and Accounts 2024 • **Financial statements:** Note 4 for the accounting policy, Note 5 for Revenue and Segmental information	**Our results** We did not identify any material misstatements in relation to revenue transactions which did not follow the expected transaction flow.

Independent auditor's report to the members of Dialight plc
continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation and Allocation of goodwill and other intangible assets We identified valuation of goodwill and other intangible assets as one of the most significant assessed risks of material misstatement due to fraud and error due to the high estimation uncertainty, and the impact of these estimates on the financial performance of the Group. A review for impairment was performed by management at 31 December 2023 which resulted in a full impairment of goodwill of US $11.2m being recognised during the period which had been previously allocated to the Lighting cash generating unit (CGU). Following an impairment review at 31 March 2024, US $4.1m of capitalised development costs were also impaired. Impairment testing involves the use of estimates and judgements including estimates of revenue growth, margin and the appropriate rate at which to discount the forecast cashflows within the impairment model.	In responding to the key audit matter, we performed the following audit procedures: • Evaluated the Group's accounting policy for consistency with International Accounting Standards (IAS) 36 'Impairment of Assets' and considering whether the accounting policy was applied accurately and consistently; • Tested the historical accuracy of management's forecasts by comparing budgeted results to actual in the prior year; • Engaged internal auditor's experts to test the discount rate applied by management to the forecast cashflows and to determine an auditor's range for the discount rate; • Tested the mathematical accuracy of the impairment model including whether the assumptions were accurately incorporated within the impairment model, assessing the computational accuracy of the model and agreeing the carrying value of allocated assets to the underlying records of the Group; • Assessed the method of allocating assets between the Lighting and Signals & Components CGUs and challenging the level of impairment of development costs for product families; • Performed sensitivity analysis to the revenue growth rates, discount rates and gross profit margins to assess the sensitivity of the impairment model to those key assumptions; • Challenged management's assumptions concerning forecast cash flows, based on historical trends and any changes in customer preferences and regulations. This also involved considering any contradictory evidence noted in other areas of the audit; and • Assessed the disclosures made in the financial statements for completeness and accuracy in line with the requirement of IAS 36.
Relevant disclosures in the Annual Report and Accounts 2024 • **Financial statements:** Note 4 for the accounting policy, Note 14 for Intangible Assets	**Our results** Our audit testing and challenge of management resulted in an additional impairment charge of US $4.1m being recorded against capitalised development costs. No further material errors over the valuation and allocation of goodwill and other intangible assets were identified as a result of our audit procedures.

Independent auditor's report to the members of Dialight plc
continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation and Allocation of inventory We identified valuation and allocation of inventory as one of the most significant assessed risks of material misstatement due to fraud and error. We identified a risk of fraud that management could generate improved results through provision manipulation or make inappropriate judgements which cause the provision to be materially inappropriate. We also identified a risk of error as the underlying provision computation is complex and involves management judgement. The group holds US $49.1m (2022: US $64.8m) of inventory on its balance sheet which represents 35% (2022: 37%) of Group total assets. The Group operates in an industry whereby development in product technology may result in inventory becoming slow moving or obsolete. Levels of older or longer dated inventory may indicate an element of slow moving or obsolete inventory that requires a provision.	In responding to the key audit matter, we performed the following audit procedures: • Gained an understanding of the Group's processes and controls with respect to inventory as part of overall understanding of the entity and business process; • Assessed the methodology behind the provision calculation to consider whether judgements applied were reasonable and incorporated the accounting standards appropriately; • For finished goods: – considered the prior year accuracy of the inventory provision by assessing management's retrospective review of prior year provision amounts by comparing those provisions to subsequent inventory turn, usage and realisation, thus confirming if the two-year assessment made by management is appropriate; – tested the net realisable value of a sample of finished goods with reference to recent sales data; and – tested that finished goods on hand at the end of the period were recorded at the lower of cost and net realisable value by testing a sample of inventory items to the most recent sales price or prices in backlog data. • For raw materials and sub-assemblies: – evaluated usage of inventory aged greater than two years to assess management's judgement that two years is an appropriate provision criterion for raw material inventory; – assessed sales and usage for inventory aged 12-24 months to challenge whether there is indication that this inventory may also be at risk of excess and or obsolescence; – considered the prior year accuracy of the inventory provision by assessing management's retrospective review of prior year provision amounts by comparing those provisions to subsequent utilisation of finished goods; and – assessed the aging data element in the provision calculation for raw materials and sub-assemblies; • By selecting a sample of purchases, we substantively tested the perpetual inventory costing and ensuring that the purchase price variance has been accounted for correctly; and • Assessed the quality, completeness and transparency of disclosures in the financial statements.
Relevant disclosures in the Annual Report and Accounts 2024	**Our results**
• **Financial statements:** Note 4 for the accounting policy, Note 17 for financial disclosure	We did not identify any material misstatement to level of inventory provision.

Independent auditor's report to the members of Dialight plc
continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Management override of controls We identified management override of controls as one of the most significant assessed risks of material misstatement due to fraud. In the period, there were a number of significant changes to the senior executive team, initially resulting in the CFO departing on 18 September 2023 with the permanent position being filled on 30 January 2024, thus resulting in the Group not having a CFO in post for a significant proportion of the period. Furthermore, the CEO departed from her role in February 2024 without compensation with an immediate replacement. There have also been significant changes within the senior finance team post year end. As set out in the Audit Committee Report, the Board instructed the Company's lawyers to carry out a substantive and detailed review of certain matters that had come to the attention of the Board following the CEOs departure that merited further attention. Furthermore, the newly appointed executive management team carried out a thorough review of the Group's operating controls and processes, including those relating to expense approval and matters to be reported to the Board. These matters and management's investigation increases the risk of management override of control, in accordance with ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements). Through the Board instructed investigation and our work we have become aware of a number of matters, which raise concerns over previous management's integrity and actions during the period. These changes have specifically heightened the risk of management override during the period, prior to the individuals' departures. The Group's loan facilities include financial covenants which are measured quarterly. There is a risk that the nature of concerns raised above, could result in estimates and judgements being manipulated to either present favourable trading results to the markets or to ensure compliance with loan facility covenants.	In responding to the key audit matter, we performed the following audit procedures, alongside those outlined in our key audit matters on valuation & allocation of inventory, revenue recognition, and valuation and allocation of goodwill and other intangible assets, included: • Engaged auditor's experts to assist the audit team to consider: – The appropriateness of management's response to this risk, including assessing the work performed by management's specialist; and – whether additional procedures should be performed by the engagement team in addition to those performed by management and their experts to respond to the perceived risk. • Performed additional procedures, where considered necessary, in addition to managements own investigations, for example by expanding our journals testing to target specific account and journal patterns and widening our enquiries of management who posted journals during the year; • Assessed the accounting for significant transactions that are outside the Group's normal course of business or are otherwise unusual, such as those items disclosed in note 6; • Applied a risk-based approach to increase our samples of expenses which we assessed against source documentation and corroborative explanation by Executive Directors where necessary; • Conducted inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, and followed up on any concerns; • Further considered potentially unusual transactions which arose throughout our testing, made enquiries and sought further evidence to establish whether they represented management override of controls or had an impact on reporting and covenants; • Evaluated management's assessment on whether there were any factual breaches in covenants in the period by agreeing the calculation back to the terms of the facility agreement and considering the results of our testing; • Assessed the changes to estimates and judgements in the period to the methods and underlying assumptions used to prepare accounting estimates and judgements, for example as described in our valuation and allocation of inventory key audit matter; • Assessed and tested the completeness and accuracy of related party disclosures; and • Assessed and tested the completeness and accuracy of disclosures surrounding the banking facility, associated covenant compliance and the post year end covenant waiver confirmation received from the bank on 26 July 2024.

Independent auditor's report to the members of Dialight plc
continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2024 • Audit Committee Report • Financial statements: Note 2(b) Consolidated Basis of Preparation: Going concern, Note 23 Borrowings	**Our results** Managements investigation and our work has contributed to the disclosures set out in Note 2(b) and 23 in respect of covenant compliance. No further material matters arose from our work.

Key Audit Matter – Parent Company	How our scope addressed the matter– Parent Company
Valuation and Allocation of Parent Company's investments We identified valuation and allocation of Parent Company investments as one of the most significant assessed risks of material misstatement due to error due to the high degree of estimation uncertainty in reaching the recoverable amount of investments. Investments in subsidiaries of £11.7 million (2022: £10.9 million) are accounted for in the Parent Company balance sheet at cost less provision for impairment. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. A review for indicators of impairment was performed by management, including considering the latest available forecasts and developments in the Group during the period. Management's assessment identified an impairment indicator in respect of the investments in Dialight Corp. Following identification of indicators of impairment, the recoverable amount was assessed based on value-in-use calculations. These calculations indicated that an impairment was not required.	In responding to the key audit matter, we performed the following audit procedures: • evaluated management's determination of whether there were any other indicators of impairment. This included: – comparing the carrying value of investments with the market capitalisation of the Group at 31 March 2024; and – considering the carrying value of investments with the carrying amount of investees' net assets. • performed the following in respect of management's value-in-use calculations where indicators of impairment were identified: – assessed the consistency of management's model to the Group going concern and goodwill model and reperformed the calculations within the discounted cash flow forecasts; – tested the key assumptions underpinning management's model to corroborate the consistency with the Group going concern model; and – Assessed the disclosures made in the financial statements for completeness and accuracy in line with the accounting standards and the Group's accounting policies.
Relevant disclosures in the Annual Report and Accounts 2024 **Financial statements:** Note 2c(ii) in Company accounts for the accounting policy, Note 5 Investment in subsidiary undertaking.	**Our results** We found the assessment of the carrying value of the Company's investments and associated disclosures to be consistent with the evidence obtained.

Independent auditor's report to the members of Dialight plc
continued

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

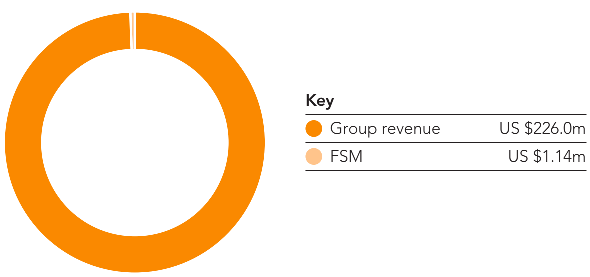
Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	$1,136k, which represents 0.5% of the Group's total revenues. The range of component materialities used across the Group was $454k to $1,022k.	£760k, which represents 1% of the Parent Company's total assets, Parent Company component materiality has been capped at an amount less than group materiality for group audit purposes (£585k).
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • Total revenue was considered to be the most appropriate benchmark because this is a key performance indicator used by the Directors to report to the investors on the financial performance of the Group; and • The measurement of 0.5% of revenue is, in our view appropriate given user expectations and industry benchmarking which results in a materiality which is sufficient to identify any material misstatements. Materiality for the current period is higher that was determined for the period ended 31 December 2022.	In determining materiality, we made the following significant judgements: • Total assets was considered to be the most appropriate benchmark for the Parent company because in our view, it is the most reflective of the financial position of the parent and it's nature of operations; and • The measurement of 1% total assets is, in our view, appropriate given user expectations and industry benchmarking which results in a materiality which is sufficient to identify any material misstatements. Materiality for the current period is higher than the level that was determined for the period ended 31 December 2022.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	US $738k, which is 65% of financial statement materiality.	£494k, which is 65% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our review of the predecessor's audit file and assessment of prior year adjustments; and • Our risk assessment – we considered control deficiencies previously reported by the predecessor auditor and the potential impact on the current period's audit when performing our risk assessment procedures.	In determining performance materiality, we made the following significant judgements: • Our previous experience with the Group – as this is our initial audit engagement, we reviewed predecessor's audit file in relation to adjustments made in the previous periods; and • Our risk assessment – we considered control deficiencies previously reported by the predecessor auditor and the potential impact on the current period's audit when performing our risk assessment procedures.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	

Independent auditor's report to the members of Dialight plc
continued

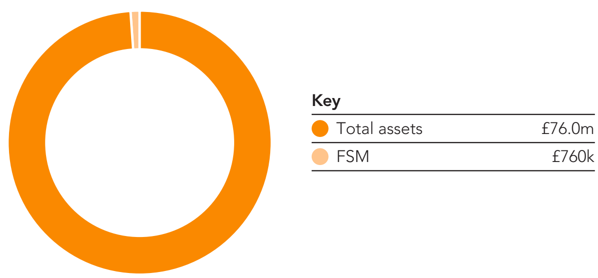
Materiality measure	Group	Parent Company
Specific materiality	We determined a lower level of specific materiality for the following areas: • director's remuneration; and • related party transactions	We determined a lower level of specific materiality for the following areas: • director's remuneration; and • related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	US $57k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£29k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

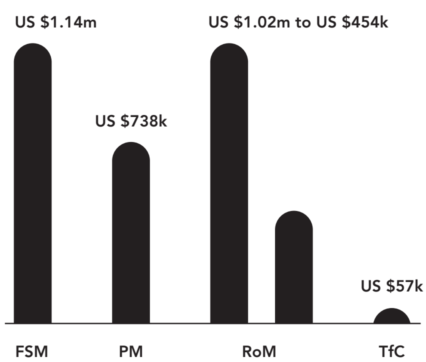
The graph below illustrates how performance materiality interacts with our overall materiality and the range of component materiality and the threshold for communication to the audit committee.

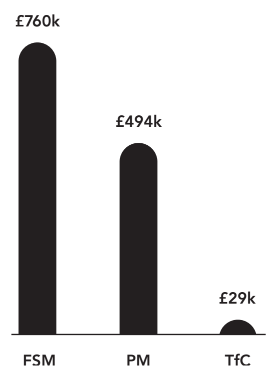
OVERALL MATERIALITY – GROUP



OVERALL MATERIALITY – PARENT







FSM: Financial statement materiality, PM: Performance materiality, RoM: Range of materiality at 2 components, TfC: Threshold for communication to the audit committee

Independent auditor's report to the members of Dialight plc
continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the Group's and the Parent Company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including group-wide controls

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's and Parent Company's business, its environment and risk profile. The Group engagement team obtained an understanding of the Group and its environment, and assessed the risks of material misstatement at the Group level;

We obtained an understanding of the business processes for all significant classes of transactions, including significant risks, in order to confirm our understanding of the control environment across the Group;

For significant components requiring a full-scope audit approach, we or the component auditors obtained an understanding of the controls over the entity-specific financial reporting systems identified as well as the centralised financial reporting system as part of our risk assessment; and

We documented and assessed the design and implementation of controls related to key audit matters and other significant risks communicated in this report.

Identifying significant components

Component significance was determined based on their relative share of the key group financial metrics including group revenue and group profit before taxation. These metrics were used to identify components classified as 'individually financially significant to the Group' and full-scope audits were performed.

We also considered whether any components were likely to include significant risks of material misstatement to the Group financial statements due to their specific nature or circumstances. No additional significant components were identified as a result of this consideration.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

In order to address the audit risks identified during our planning procedures, the Group engagement team performed the following audit procedures:

Full-scope audits on the financial statements of two components, being Dialight Corporation (US) and Dialight Plc (parent entity). These full-scope audits included all our work on the identified key audit matters described above. These two components contributed 80% of the Group revenue and 96% of the Group profit before taxation;

Specific-scope and specified audit procedures related to the risks of material misstatement of the financial statements of three component Dialight Penang Sdn, Dialight ILS Australia and Dialight Europe. All component audits were performed either by the Group team or by Grant Thornton member firms worldwide;

We performed analytical procedures on the financial information of all the remaining group components.

Performance of our audit

In total, percentage revenue coverage of full-scope audit and specified audit procedures equated to 87% of group revenue and 96% of group profit before taxation.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	2	76%	80%	96%
Specific-scope audit	1	3%	0%	0%
Specified audit procedures	2	4%	7%	0%
Analytical procedures	5	17%	13%	4%
Total	**10**	**100%**	**100%**	**100%**

Independent auditor's report to the members of Dialight plc
continued

Communications with component auditors

The specific-scope audit of Dialight Penang Sdn (Malaysia) was performed by Grant Thornton Malaysia and specified audit procedures on Dialight ILS Australia were performed by Grant Thornton Australia. The specified audit procedures on Dialight Europe were performed by the Group engagement team;

Each of the overseas teams were issued with detailed group audit instructions. These instructions highlighted the significant risks that needed to be addressed through the audit procedures and specified the information that we required to be reported to the Group engagement team;

Throughout the planning, fieldwork, and concluding stages of the Group audit, the Group engagement team communicated with all component auditors and conducted a review of their work. Key working papers were prepared by the Group engagement team to summarise their review of component auditor files;

Additionally, members of the Group engagement team visited the US and Mexican based locations of Dialight Corporation to gain an in-depth understanding of their operations and the risks associated with them; and

The Group engagement team held detailed discussions with the component auditors and performed remote reviews of the work performed, update calls on the progress of the fieldwork and by attending the component audit clearance meetings with component management.

OTHER INFORMATION

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CORPORATE GOVERNANCE STATEMENT

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Independent auditor's report to the members of Dialight plc
continued

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 29;
- the directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 29;
- the director's statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as set out on page 29;
- the directors' statement on fair, balanced and understandable as set out on page 54;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 20;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems as set out on page 19; and
- the section describing the work of the audit committee as set out on page 51.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement as set out on page 81, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Parent Company, the Group and sector in which they operate and how the Parent Company and the Group are complying with those legal and regulatory frameworks, through our commercial and sector experience, making enquiries of management and those charged with governance, and inspection of the Parent Company's and the Group's key external correspondence. We corroborated our enquiries through our inspection of board minutes and other information obtained during the course of the audit. We evaluated the Parent Company's and Group's compliance with laws and regulations that have a direct impact on the financial statements. These laws and regulations include financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation, company legislation, climate regulation, and taxation legislation.
- Our assessment of the Group's compliance with these laws and regulations was integrated into our procedures on the related financial statement items. We obtained an understanding of the Group's systems and processes for monitoring compliance, tested key controls, and evaluated the effectiveness of the Group's compliance program. We also reviewed relevant documentation and obtained representations from management regarding their compliance with these laws and regulations.
- To gain assurance on the Group's compliance with laws and regulations, we made enquiries of management and the Board of Directors to determine if they were aware of any instances of noncompliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud and corroborated this with our review of the board minutes. We also assessed the susceptibility of the Parent Company's and the Group's financial statements to material misstatement, including fraud risk.
- Our audit procedures were specifically designed to prevent and detect fraud, and included:

  a. Enquiring of management, the finance team and the Board of Directors about the risks of fraud at the Group and the Parent Company and the controls implemented to address those risks. Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of entries used to record non-recurring, unusual transactions or other non-routine adjustments;

  b. Identifying and testing journal entries, with selection based on risk profiling;

Independent auditor's report to the members of Dialight plc
continued

c. Running specific keyword searches (including to related parties and of those previously connected to related entities) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls;
d. Planning specific procedures responding to the risk of fraudulent recognition of revenue as detailed within the Key Audit Matters section above and performing the procedures responding to the risk of fraud arising from management override of control as detailed within the Key Audit Matters section above;
e. Assessing the disclosures within the annual report, including principal and emerging risks; and
f. Challenging assumptions and judgements made by management in its significant accounting estimates.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- As part of the engagement partner's assessment of the engagement team's collective competence and capabilities, they considered the team's understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation. They also evaluated the team's knowledge of the industry in which the Parent Company and the Group operate, as well as the team's understanding of the legal and regulatory requirements specific to the Parent Company and the Group.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  – the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  – the applicable statutory provisions;
  – the rules and interpretative guidance issued by the Financial Conduct Authority; and
  – the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.
- For components at which audit procedures were performed, we requested component auditors to report to us for non-compliance with laws and regulations that gave rise to a material misstatement of the Group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the Board on 19 June 2023 to audit the financial statements for the period ending 31 March 2024. This is the first period of our engagement as auditor of Dialight plc.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Maile BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON

29 July 2024

Consolidated income statement

for the 15 month period ended 31 March 2024

	Notes	**15 month period ended 31 March 2024 US $m**	12 month period ended 31 December 2022 US $m
Revenue	5	**226.0**	209.8
Cost of sales		**(158.9)**	(142.4)
Gross profit		**67.1**	67.4
Distribution costs		**(36.8)**	(31.5)
Administrative expenses		**(60.5)**	(33.1)
(Loss)/Profit from operating activities	5	**(30.2)**	2.8
Underlying (loss)/profit from operating activities		**(4.6)**	6.1
Non underlying items	6	**(25.6)**	(3.3)
(Loss)/Profit from operating activities	5	**(30.2)**	2.8
Financial expense	8	**(4.1)**	(2.2)
(Loss)/Profit before tax		**(34.3)**	0.6
Taxation credit/(charge)	9	**1.8**	(0.1)
(Loss)/Profit for the period		**(32.5)**	0.5
(Loss)/Profit the period attributable to:			
Equity of the Company		**(32.5)**	0.5
Non-controlling interests		**–**	–
(Loss)/Profit for the period		**(32.5)**	0.5
(Loss)/Profit per share			
Basic	11	**(91.1) cents**	1.5 cents
Diluted	11	**(91.1) cents**	1.5 cents

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

Consolidated statement of comprehensive income

for the 15 month period ended 31 March 2024

	Notes	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**0.4**	0.3
Income tax on exchange differences on translation of foreign operations		**–**	–
		0.4	0.3
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of defined benefit pension liability	16	**(0.5)**	0.4
Income tax on remeasurement of defined benefit pension liability	9	**0.1**	(0.1)
		(0.4)	0.3
Other comprehensive income for the year, net of tax		**–**	0.6
(Loss)/Profit for the period		**(32.5)**	0.5
Total comprehensive (expense)/income for the period		**(32.5)**	1.1
Attributable to:			
Owners of the Parent		**(32.5)**	1.1
Non-controlling interest		**–**	–
Total comprehensive (expense)/income for the period		**(32.5)**	1.1

Consolidated statement of changes in equity

for the 15 month period ended 31 March 2024

	Share capital US $m	Merger reserve US $m	Translation reserve US $m	Capital redemption reserve US $m	Share premium US $m	Own Shares US $m	Retained earnings US $m	**Total US $m**	Non controlling interests US $m	**Total equity US $m**
At 1 January 2023	**1.0**	**1.0**	**12.2**	**4.3**	**1.2**	**(1.1)**	**64.2**	**82.8**	**0.2**	**83.0**
Loss for the period	–	–	–	–	–	–	(32.5)	(32.5)	–	(32.5)
Other comprehensive income:										
Foreign exchange translation differences, net of tax	–	–	0.4	–	–	–	–	0.4	–	0.4
Remeasurement of defined benefit pension liability, net of tax	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total other comprehensive income/ (expense)	–	–	0.4	–	–	–	(0.4)	–	–	–
Total comprehensive income/ (expense) for the period	–	–	0.4	–	–	–	(32.9)	(32.5)	–	(32.5)
Transactions with owners, directly recorded in equity										
Issue of share capital (note 20)	0.2	–	–	–	12.7	–	–	12.9	–	12.9
Transaction costs (note 20)	–	–	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Share-based payments	–	–	–	–	–	–	1.5	1.5	–	1.5
Re-purchase of own shares	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Total transactions with owners	**0.2**	**–**	**–**	**–**	**11.8**	**(0.1)**	**1.5**	**13.4**	**–**	**13.4**
At 31 March 2024	**1.2**	**1.0**	**12.6**	**4.3**	**13.0**	**(1.2)**	**32.8**	**63.7**	**0.2**	**63.9**

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

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

Consolidated statement of total financial position

at 31 March 2024

	Notes	**31 March 2024 US $m**	31 December 2022 US $m	31 December 2021 US $m
Assets				
Property, plant and equipment	12	**12.7**	16.8	16.2
Right-of-use assets	13	**8.8**	12.7	15.3
Intangibles assets	14	**8.1**	25.9	28.9
Deferred tax assets	15	**5.8**	2.8	1.8
Employee benefits	16	**5.4**	5.5	5.2
Other receivables	18	**5.9**	6.8	6.4
Total non-current assets		**46.7**	**70.5**	**73.8**
Inventories	17	**49.1**	64.8	57.4
Trade and other receivables	18	**32.3**	36.6	35.4
Income tax recoverable		**0.8**	0.8	1.6
Cash and cash equivalents	19	**11.5**	2.0	1.6
Total current assets		**93.7**	**104.2**	**96.0**
Total assets		**140.4**	**174.7**	**169.8**
Liabilities				
Trade and other payables	21	**(34.3)**	(45.2)	(44.4)
Provisions	22	**(1.2)**	(0.7)	(0.8)
Current tax liabilities		**(1.4)**	(2.8)	(2.4)
Lease liabilities	13	**(2.0)**	(1.5)	(1.7)
Borrowings	23	**(27.9)**	(2.4)	(5.4)
Total current liabilities		**(66.8)**	**(52.6)**	**(54.7)**
Provisions	22	**(1.6)**	(1.9)	(1.7)
Borrowings	23	**–**	(25.0)	(17.4)
Lease liabilities	13	**(8.1)**	(12.2)	(14.6)
Total non-current liabilities		**(9.7)**	**(39.1)**	**(33.7)**
Total liabilities		**(76.5)**	**(91.7)**	**(88.4)**
Net assets		**63.9**	**83.0**	**81.4**
Equity				
Issued share capital	20	**1.2**	1.0	1.0
Merger reserve		**1.0**	1.0	1.0
Share premium	20	**13.0**	1.2	–
Other reserves		**15.7**	15.4	15.2
Retained earnings		**32.8**	64.2	63.4
		63.7	**82.8**	**80.6**
Non-controlling interest		**0.2**	0.2	0.8
Total equity		**63.9**	**83.0**	**81.4**

The accompanying notes form part of these financial statements. These financial statements were approved by the Board of Directors on 29 July 2024 and were signed on its behalf by:

Steve Blair
Group Chief Executive

Carolyn Zhang
Chief Finance Officer

Company number: 2486024

Consolidated statement of cash flows

for the 15 month period ended 31 March 2024

	Notes	31 March 2024 US $m	31 December 2022 US $m
Operating activities			
(Loss)/profit for the period		**(32.5)**	0.5
Adjustments for:			
Financial expense	8	**4.1**	2.2
Income tax (income)/expense	9	**(1.8)**	0.1
Share-based payments		**1.5**	0.6
Depreciation of property, plant and equipment	12	**4.3**	3.6
Impairment losses on property, plant and equipment	12	**1.1**	–
Depreciation of right-of-use assets	13	**3.0**	2.2
Gain on lease modification		**(0.2)**	–
Amortisation of intangible assets	14	**7.7**	5.3
Impairment losses on intangible assets	14	**15.8**	1.6
Operating cash flows before movements in working capital		**3.0**	16.1
Decrease/(increase) in inventories		**15.7**	(8.3)
Decrease/(increase) in trade and other receivables		**5.2**	(1.4)
(Decrease)/increase in trade and other payables		**(10.9)**	1.6
Increase in provisions		**0.2**	0.4
Pension contributions less than/(more than) income statement charge		**0.1**	(0.5)
Cash generated by operations		**13.3**	7.9
Income taxes paid		**(2.6)**	(1.0)
Interest paid[2]		**(4.1)**	(2.2)
Net cash generated by operations		**6.6**	4.7
Investing activities			
Purchase of property, plant and equipment	12	**(1.4)**	(4.2)
Purchase of intangible assets	14	**(5.4)**	(4.6)
Purchase of Dialight Australia shares		**–**	(0.1)
Net cash used in investing activities		**(6.8)**	(8.9)
Financing activities			
Proceeds on issue of shares – net of issue costs	20	**12.0**	–
Drawdown of bank facility	23	**6.2**	18.6
Repayment of bank facility	23	**(5.9)**	(13.0)
Arrangement fee for revised facility		**–**	(0.6)
Re-purchase of own shares		**(0.1)**	(0.1)
Repayment of lease liabilities[1]	13	**(2.9)**	(2.0)
Net inflow from financing activities		**9.3**	2.9
Net increase in cash and cash equivalents		**9.1**	(1.3)
Cash and cash equivalents at beginning of period	19	**2.0**	1.6
Effects of exchange rates		**0.4**	1.7
Cash and cash equivalents at end of period	19	**11.5**	2.0

The Group has classified:
1 cash payments for the principal portion of lease payments as financing activities; and
2 cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group.

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

Notes to the consolidated financial statements

for the 15 month period ended 31 March 2024

1. REPORTING ENTITY

Dialight plc is a public listed company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 2486024.

Details of the Company's registered office are set out on page 152 under the "Directory and shareholder Information" section.

The consolidated financial statements of the Company for the 15 month period ended 31 March 2024 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group has changed the reporting date from 31 December to 31 March to better align with the seasonality of the business. Therefore amounts presented in the financial statements are not entirely comparable.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The Company has elected to present its Parent Company financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

(b) Consolidated basis of preparation

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 01 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are discussed in the Chief Financial Officer's Review on pages 25 to 28.

The Directors' assessment of the viability of the Group is set out in the Viability Statement on page 31. In addition, note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

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

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

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

Further details, including the relevant covenant tests, are included in note 23.

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

The downside scenarios reflect the risk of lower-than expected organic revenue growth in core Lighting markets, lower gross margins than forecast due to lower revenue forecasts and cost savings not being realised to the full extent forecasted. In the downside scenario including an adverse Sanmina outcome, an estimated worst-case outflow of US $7.9m has been modelled, consistent with the disclosures provided in note 26.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

2. BASIS OF PREPARATION (CONTINUED)

Base case

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

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

The key assumptions in the base case include:

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

Downside case – lower revenue and margin

The Directors have assumed:

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

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

The Directors have assumed:

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

Reverse stress test (break-even assessment)

The Directors have assumed:

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

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

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

2. BASIS OF PREPARATION (CONTINUED)

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

Further, the legal claim against the Company by Sanmina, which is outlined in note 26 represents a possible adverse outcome outside of the Group's control which could result in a material cash outflow. In this scenario, the Group would have insufficient liquidity in the going concern period in management's downside case, without taking mitigating actions or securing additional funding.

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

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

(c) Use of estimates, judgements and assumptions

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

Significant judgements

Termination of outsourced manufacturing agreement

Significant judgement is applied in determining whether to recognise a provision or a contingent liability in respect of the claims from the Group's former manufacturing partner Sanmina. In the view of management, it is not probable that the Group will have to make a payment, therefore no provision is required and the matter is disclosed as a contingent liability in note 26, which contains further details on the matter.

Development and patent costs

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

The Group has US $7.4m (2022: US $13.9m) of development and patent costs that relate to the current product portfolio and new products expected to launch over the next one to two years. Following the decision to dispose of the Traffic business US $0.5m of development costs have been written off. An impairment review of the total balance was performed resulting in a further US $3.5m of development costs and US $0.6m of concessions, patents, licences and trademarks costs being impaired during the period. The total impairment of US $4.6m has been recorded in the income statement as a non-recurring expense (note 6).

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

Inventory reserve – disposal of traffic business

Following the decision by management to dispose of the traffic business a judgement has been made to fully provide for all related inventory given the inventory remains property of the Group at the date of completion and there is no obligation by the acquirer to purchase any such inventory subsequent to completion. While under the sales and purchases agreement the acquirer will have the right to acquire all or part of the related inventory, at the date of the approval of these financial statements the intention of the acquirer is not known. The provision totals $3.0m as at 31 March 2024. This has been recognised within costs of goods sold and is disclosed as a non-underlying item within note 6.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

2. BASIS OF PREPARATION (CONTINUED)

Estimates

Inventory reserve

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

Details of the inventory reserve are set out in note 17.

Inventory reserve – raw materials and sub-assemblies

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

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

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

Inventory reserve – finished goods

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

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

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

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

Inventory – absorbed overhead costs

The valuation of inventory, detailed in note 17, requires the use of estimates in the amount of costs to be absorbed into inventory valuation. There are two elements of cost over which estimates are applied.

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

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

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

Goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 4(j). The recoverable amounts of the Group's CGUs have been determined based on value in use calculations, which involve a high level of estimation due to the uncertainty caused by the geopolitical situation and potential material shortages due to delays in the supply chain.

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

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The exchange rates used were as follows:

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 March 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has (a) power over the investee, (b) exposure, or rights, to variable returns from the investee, and (c) ability to use its power to affect those returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. If the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity, while any resultant gain or loss is recognised in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights that were then currently exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the acquisition.

Acquisitions prior to 1 January 2004 (date of transition to IFRSs)

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, UK GAAP.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings within the statement of changes in equity.

(c) Non-underlying items

The Group incurs costs and earns income that is non-underlying in nature or that, in the Directors' judgement, needs to be disclosed separately by virtue of its size and incidence in order for users of the consolidated financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

These items could include (but are not limited to):

- the costs related to transferring production back from an outsourced manufacturer;
- the impairment of tangible or intangible assets including goodwill;
- the impairment of inventory as a result of a significant change in product design;
- individual restructuring projects which are material or relate to the closure of a part of the business and are not expected to recur;
- gains or losses on disposal of businesses;
- gains or losses arising on significant changes to closed defined benefit pension plans; and
- costs arising from legal disputes including that with Sanmina Corporation (see note 6).

Determining whether an item is part of specific non-underlying items requires judgement to determine the nature and the intention of the transaction.

(d) Foreign currency translation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's overseas operations, including goodwill and fair value adjustments arising on consolidation, are translated using exchange rates prevailing on the balance sheet date.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and expense items of overseas operations are translated at average exchange rates for the period. The resulting exchange differences are recognised as a separate component of equity within the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary and non-monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Derivative financial instruments

Derivative financial instruments are recorded initially at cost and are remeasured to fair value at subsequent reporting dates. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

(f) Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment. Subsequent costs are included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are charged to the income statement in the financial period they are incurred.

(g) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(h) Depreciation and amortisation

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, except for right-of-use assets which are depreciated over the shorter of the lease contract period and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Plant, equipment and vehicles	3–10 years
Right-of-use assets	2–9 years

Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follows:

Patents and trademarks	3–5 years

Development costs

Product upgrades	3 years
New product	4 years
Control and technology-related products	5 years

Goodwill that arises upon acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4(b).

Subsequent measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses until disposal or termination of the CGU. Goodwill is allocated to the CGUs and is tested at least annually for impairment. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(i) Research and development costs

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is immediately recognised in the income statement as an expense.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product and process is technically and commercially viable, future economic benefits are probable and the Group intends and has sufficient resources to complete the development and to use or sell the asset. Costs are only capitalised once the initial research phase has been completed and the business case for development has been approved by management. The expenditure capitalised includes direct cost of material, direct labour and directly attributable overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A financial asset, in particular the carrying value of trade receivables, is considered to be impaired if one or more events have had a negative effect on the estimated future cash flows expected to arise from that asset. Any impairment losses are recognised through the income statement.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory comprises all costs of purchase, costs of conversion and other costs to bring the inventory to its existing location and condition, including an appropriate share of production overheads. Inventory is accounted for on a first-in, first-out basis. When calculating any reserve, management considers the nature and condition of the inventory on an item by item and category basis, as well as basing on an assessment of market developments; change in strategy or business model; regulatory and technology evolvement; and analysis of historical and projected usage with regard to quantities on hand for all raw materials, sub-assemblies and finished goods.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(m) Share capital

(i) Dividends are recognised in the period in which they are approved by the Company's shareholders, or, in the case of an interim dividend, when the dividend is paid.

(ii) When share capital recognised as equity is repurchased by the ESOT, the amount of the consideration paid is recognised as a deduction from equity.

(iii) Under the terms of the PSP, RSP and deferred bonus schemes, dividends accrue on shares not yet vested; however, in the event that the shares lapse or are forfeited then the dividends will not be paid and the accrual is reversed.

(n) Employee benefits

(i) Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Defined benefit pension plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed by an independent qualified actuary using the projected unit credit method. In accordance with IFRIC 14 – IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", the pension surplus can be recognised as an asset on the balance sheet, limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service, or the gain or loss on curtailment, is recognised immediately in the income statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Share-based payments and deferred bonus transactions

The PSP and RSP allows Group employees to acquire shares of the Company. The fair value of the grants is measured using the five-day weighted average prior to grant, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is only adjusted to reflect forfeitures resulting from failures to meet non-market conditions. The share- based payments are equity-settled. Key Group employees can be awarded shares in the Company under the Annual Performance Bonus Plan (APBP). The fair value of the award granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the performance period during which the employees become unconditionally entitled to the award.

All of the share awards are based on three-year continued service conditions, except under the APBP where 50% vest after two years.

(iv) Bonus plan

The Group recognises a liability in respect of the best estimate of bonus payable where contractually obliged to or where past practice has created a constructive obligation.

(o) Other provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Warranty 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, product-specific warranty terms, internal knowledge of product performance characteristics and the expected costs of remedying warranty-returned products. All other provisions are based on management's best estimate of a probable expected outcome.

(p) Trade and other receivables

Trade and other receivables are recognised at fair value except for trade receivables that do not have a significant financing component which are measured at transaction price and carried at amortised cost, less an allowance for expected lifetime losses as permitted under the simplified approach in IFRS 9. Fully provided balances are not written off from the balance sheet until the Group has decided to cease enforcement activity.

The Group has applied the simplified approach as permitted by IFRS 9. The expected credit loss (ECL) model considers the Group's historical credit loss, factors specific to each receivable, the current economic environment and expected changes in future forecasts (see note 24).

(q) Trade and other payables

Trade and other payables are initially recorded at fair value and then subsequently stated at amortised cost.

(r) Revenue recognition

The Group's revenue is derived from the single performance obligation to transfer lighting products under arrangements in which the transfer of control of the products and the fulfilment of the Group's performance obligations occur at the same time. Revenue from the sale of goods is recognised when the Group has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods based on Incoterms, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable the Group will collect the consideration to which it is entitled to in exchange for the goods.

The majority of sales are on an ex works basis with revenue recognised on dispatch of finished goods. Warranty is not a separable performance obligation so has no impact on revenue recognition.

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Where rebates agreements are in place revenue is recognised based on the price specified in the contract net of the estimated rebate discount. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected rebate discounts payable to customers in relation to sales made until the end of the reporting period.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Net financing costs

Net financing costs comprise interest receivable, interest payable on borrowings, arrangement fees on revised or new borrowing facilities, interest payable on lease liabilities, interest on pension assets and liabilities, foreign exchange gains and losses.

(t) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity. The tax currently payable is based on the taxable profit for the year.

Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The tax rate and laws used to compute the amount are those that are enacted or substantially enacted, by the reporting date.

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. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax assets is released or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(v) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of- use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group operates in multiple economic environments so the incremental borrowing rate (IBR) that applies will vary from lease to lease.

Discount rates applied for different jurisdictions

IFRS 16 allows the use of two possible discount rates, namely the interest rate implicit in the lease from the perspective of the lessor (implicit rate) or the Group's IBR.

The IBR is the rate of interest that Dialight pays to borrow (a) over a similar term, (b) with a similar security, (c) the funds necessary to obtain an asset of a similar value to the right-of-use asset, and (d) in a similar economic environment. The rate reflects the amount that the Group could borrow over the term of the lease.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group operates in multiple jurisdictions and the economic environment in those jurisdictions would also influence the IBR. This is expected to lead to a different IBR for every lease in a different territory. Key information that the Group considered while determining the IBR relates to the region where the lease is domiciled, the functional currency and the currency of the lease, the asset being leased and the remaining years left on the lease.

The Group has property leases in the USA, Mexico, UK, Australia and Malaysia. The Mexican and Malaysian leases are for industrial premises with the remaining leases being for office buildings.

The IBR is determined based on the interest rates available to the Group entities in which the underlying leases are held, based on the credit rating of each of these entities. Certain adjustments are made to these interest rates to reflect the terms of the individual leases and the types of assets leased. The IBRs calculated for use by the Group vary between 2.5% and 8.0%.

Lease payments included in the measurement of the lease liability comprise the following:

Fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and lease liabilities separately in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group classifies the sub-lease as an operating lease as the lease does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

(v) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework, appropriate for the size and complexity of the Group, with respect to the measurement of fair values. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(w) Contingent liabilities

A contingent liability arises from past events and includes possible obligations (50% certain or less) whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the entity's control and present obligations which are not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or the obligations cannot be measured reliably. It includes guarantees to third parties and certain lawsuits.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

5. 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 include share-based payments.

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

Reportable segments

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

12 month period ended 31 December 2022	Lighting US $m	Signals & Components US $m	Unallocated US $m	Total US $m
Revenue	149.6	60.2	–	209.8
Gross profit	50.2	17.2	–	67.4
Overheads	(41.7)	(10.3)	(9.3)	(61.2)
Underlying profit/(loss) from operating activities	8.5	6.9	(9.3)	6.1
Non-underlying items	(3.3)	–	–	(3.3)
Profit/(loss) from operating activities	5.2	6.9	(9.3)	2.8
Financial expense	–	–	(2.2)	(2.2)
Profit/(loss) before tax	5.2	6.9	(11.5)	0.6
Taxation	–	–	(0.1)	(0.1)
Profit/(loss) after tax	5.2	6.9	(11.6)	0.5

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

5. OPERATING SEGMENTS (CONTINUED)

Other segmental data	15 month period ended 31 March 2024 Lighting US $m	Signals & Components US $m	Total US $m	12 month period ended 31 December 2022 Lighting US $m	Signals & Components US $m	Total US $m
Depreciation of property, plant and equipment	**3.3**	**1.0**	**4.3**	2.6	1.0	3.6
Depreciation of right-of-use assets	**2.3**	**0.7**	**3.0**	1.6	0.6	2.2
Amortisation of intangible assets	**7.7**	**–**	**7.7**	5.4	–	5.4
Impairment of property, plant and equipment	**1.1**	**–**	**1.1**	–	–	–
Impairment of goodwill	**11.2**	**–**	**11.2**	–	–	–
Impairment of other intangible assets	**4.1**	**0.5**	**4.6**	1.6	–	1.6

Geographical segments

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

Sales revenue by geographical market	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
North America	**183.7**	164.1
EMEA	**18.3**	17.9
Rest of World	**24.0**	27.8

6. NON-UNDERLYING ITEMS

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

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

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Transformation project	**4.5**	–
Impairment of goodwill (note 14)	**11.2**	–
Impairment of other intangible assets (excluding business disposal impairment)	**4.1**	1.6
Litigation cost	**2.3**	1.7
Business disposal costs	**3.5**	–
Non-underlying items	**25.6**	3.3

The Group has incurred US $4.5m of non-underlying costs relating to the transformation plan. This is a significant multi-year change programme for the Group which is designed to address legacy issues associated with excess cost and complexity within the organisation, whilst at the same time focusing more resources on the most attractive growth opportunities within its core industrial LED lighting market. Implementation of the transformation plan is expected to be complete by 31 March 2026. The multi-year transformation plan is a material, infrequent programme and is not considered to be part of the underlying performance of the business. The costs incurred in the 15-month period to 31 March 2024 relate to resetting and realigning the Group's cost base including severance costs, and legal and professional fees. An impairment charge of US $1.1m for property, plant, and equipment (note 12) and dilapidation costs of US $0.4m (note 22) have been recognised in relation to the planned vacation of the Malaysian facility later in 2024.

Please refer to note 14 for details of the impairment of goodwill and other intangible assets.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

6. NON-UNDERLYING ITEMS (CONTINUED)

During the 15-month period to March 2024 costs of US $1.9m have been expensed (2022: US $1.2m) relating to a legal claim with Sanmina, a manufacturing partner. Please refer to note 26 for further details of this claim. Other litigation costs of US $0.4m for the 15-month period to 31 March 2024 (2022: US $0.5m) relate to a contractual litigation case relating to the use of intellectual property which was concluded in 2023.

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

7. PERSONNEL EXPENSES

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Wages and salaries	**54.9**	45.3
Social security costs	**6.9**	5.4
Equity-settled share-based payment transactions	**1.5**	0.6
Contributions to defined contribution plans	**1.1**	1.1
Total charge for defined benefit plans	**0.1**	0.1
Total personnel expenses	**64.5**	52.5

The average number of employees by geographical location was:

	15 month period ended 31 March 2024 Number	12 month period ended 31 December 2022 Number
US and Mexico	**1,335**	1,708
Rest of World	**226**	262
Total average number of employees	**1,561**	1,970

The Group employed an average of 948 direct staff (2022: 1,358) and 613 indirect staff (2022: 612).

The main Board Directors are considered to be the Group's key management personnel.

Key management personnel compensation comprised the following:

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Short-term employee benefits	**2.3**	1.5
Share-based payments	**1.5**	0.6
	3.8	2.1

The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest-paid Director was US $1.0m (2022: US $0.6m), and pension contributions of US $0.0m (2022: US $0.0m) were made to a money purchase scheme on their behalf. During the period, the highest-paid Director received 151,547 (2022: 103,447) shares under a long-term incentive scheme.

	15 month period ended 31 March 2024	12 month period ended 31 December 2022
Number of directors accruing benefits under money purchase schemes	**4**	2
Number of directors who exercised share options	**1**	–
Number of directors whose qualifying services shares were received or receivable under long-term incentive schemes	**2**	2

Notes to the consolidated financial statements continued
for the 15 month period ended 31 March 2024

8. FINANCIAL EXPENSES

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Net interest income on defined benefit pension asset	(0.3)	(0.1)
Interest expense on financial liabilities, excluding lease liabilities	3.3	1.6
Facility arrangement fee expense	0.4	–
Interest expense on lease liabilities	0.7	0.7
Net financing expense recognised in the consolidated income statement	4.1	2.2

9. TAXATION

Recognised in the income statement

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Current tax expense		
Current period	1.2	2.5
Adjustment for prior years	(0.1)	(0.2)
Total current tax expense	1.1	2.3
Deferred tax expense		
Origination and reversal of temporary differences	(4.0)	(2.3)
Adjustment for prior years	0.7	0.1
Impact of change in tax laws and rates	0.4	–
Total deferred tax credit	(2.9)	(2.2)
Total tax (credit)/expense	(1.8)	0.1

Reconciliation of effective tax rate

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

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

9. TAXATION (CONTINUED)

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

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

Tax (credit)/charge recognised directly in equity

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Employee benefits	**(0.1)**	0.1

Current tax

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

UK

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

Group

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

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Research and development costs:		
Expensed as incurred	**4.2**	7.5
Amortisation of development costs	**6.0**	4.0
Total research and development costs	**10.2**	11.5
Depreciation of property, plant and equipment (note 12)	**4.3**	3.6
Depreciation of right-of-use assets (note 13)	**3.0**	2.2
Impairment of property, plant, and equipment (note 12)	**1.1**	–
Impairment of goodwill (note 14)	**11.2**	–
Impairment of other intangible assets (note 14)	**4.6**	1.6
Gain on lease modification	**(0.2)**	–
Cost of inventories recognised as expense	**90.8**	97.7
Employee benefit expense (note 7)	**64.5**	52.4

Auditor's remuneration

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Audit of these financial statements	**1.3**	0.9
Audit of financial statements of subsidiaries pursuant to legislation	**0.1**	0.2
Fees payable to the Group's auditor for non-audit services:		
Assurance related services	**0.1**	–
	1.5	1.1

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

11. EARNINGS PER SHARE

Basic earnings per share

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

Weighted average number of ordinary shares

	15 month period ended 31 March 2024 k	12 month period ended 31 December 2022 k
Weighted average number of ordinary shares	**35,604**	32,575

	15 month period ended 31 March 2024	12 month period ended 31 December 2022
Basic (loss)/earnings per share	**(91.1) cents**	1.5 cents

Diluted earnings per share

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

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

Weighted average number of ordinary shares

	15 month period ended 31 March 2024 k	12 month period ended 31 December 2022 k
Weighted average number of ordinary shares	**35,604**	33,231

	15 month period ended 31 March 2024	12 month period ended 31 December 2022
Diluted (loss)/earnings per share	**(91.1) cents**	1.5 cents

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US $m	Plant, equipment and vehicles US $m	Total US $m
Cost			
At 1 January 2022	**3.9**	**63.6**	**67.5**
Additions	**–**	**4.2**	**4.2**
Disposals	**–**	**(0.1)**	**(0.1)**
Foreign exchange movements	**0.1**	**–**	**0.1**
At 31 December 2022	**4.0**	**67.7**	**71.7**
Additions	**–**	**1.4**	**1.4**
Other disposals	**–**	**–**	**–**
Transfers	**1.0**	**(1.0)**	**–**
Foreign exchange movements	**0.4**	**–**	**0.4**
Balance at 31 March 2024	**5.4**	**68.1**	**73.5**
Accumulated depreciation			
At 1 January 2022	(3.9)	(47.4)	(51.3)
Charge for the year	–	(3.6)	(3.6)
Disposals	–	0.1	0.1
Foreign exchange movements	(0.1)	–	(0.1)
At 31 December 2022	**(4.0)**	**(50.9)**	**(54.9)**
Charge for the period	(0.2)	(4.1)	(4.3)
Impairment charge	–	(1.1)	(1.1)
Foreign exchange movements	–	(0.5)	(0.5)
Balance at 31 March 2024	**(4.2)**	**(56.6)**	**(60.8)**
Carrying amount at 31 March 2024	**1.2**	**11.5**	**12.7**
Carrying amount at 31 December 2022	–	16.8	16.8
Carrying amount at 1 January 2022	–	16.2	16.2

During the period a review of property, plant, and equipment was performed where it was identified that certain assets relating to the Malaysian facility are no longer in use following the planned vacation of the existing Malaysian site. As a result, an impairment loss has been recognised within non-underlying items (note 6) given it relates to the transformation plan.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

13. LEASES

Right-of-use assets

	Buildings US $m	Non-property leases US $m	Total US $m
Cost			
Balance at 1 January 2022	22.6	0.7	23.3
Disposals	(1.4)	–	(1.4)
Foreign exchange movements	(1.2)	(0.1)	(1.3)
Balance at 31 December 2022	20.0	0.6	20.6
Additions including modifications	0.6	–	0.6
Disposals including modifications	(2.1)	(0.6)	(2.7)
Foreign exchange movements	(0.8)	–	(0.8)
Balance at 31 March 2024	**17.7**	**–**	**17.7**
Accumulated depreciation			
Balance at 1 January 2022	(7.6)	(0.4)	(8.0)
Charge for the year	(2.0)	(0.2)	(2.2)
Disposals	1.4	–	1.4
Foreign exchange movements	0.9	–	0.9
Balance at 31 December 2022	(7.3)	(0.6)	(7.9)
Charge for the period	(3.0)	–	(3.0)
Disposals	1.2	0.6	1.8
Foreign exchange movements	0.2	–	0.2
Balance at 31 March 2024	**(8.9)**	**–**	**(8.9)**
Carrying value at 31 March 2024	**8.8**	**–**	**8.8**
Carrying value at 31 December 2022	12.7	–	12.7
Carrying value at 1 January 2022	15.0	0.3	15.3

Lease liabilities

	Buildings US $m	Non-property leases US $m	Total US $m
Balance at 1 January 2022	(15.9)	(0.3)	(16.2)
Interest expense	(0.7)	–	(0.7)
Repayment of lease liabilities	2.5	0.2	2.7
Foreign exchange movements	0.4	0.1	0.5
Balance at 31 December 2022	(13.7)	–	(13.7)
Interest expense	(0.7)	–	(0.7)
Repayment of lease liabilities	3.6	–	3.6
Additions	(0.6)	–	(0.6)
Disposals	1.2	–	1.2
Foreign exchange movements	0.1	–	0.1
Balance at 31 March 2024	**(10.1)**	–	**(10.1)**

Notes to the consolidated financial statements continued
for the 15 month period ended 31 March 2024

13. LEASES (CONTINUED)

Group as lessee

The Group leases various industrial premises and office buildings.

The leases typically run for a period of 1–10 years, with various options to renew the leases after that date. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease payments are renegotiated dependent on the lease terms to reflect market rentals.

Some leases provide for additional rent payments that are based on fixed percentage changes and/or changes in local price indices. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. See accounting policy in note 4(u).

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group as a lessee.

The Group leases IT and other equipment with contract terms of 1–4 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Amounts recognised in income statement

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Depreciation expense on right-of-use assets	**3.0**	2.2
Interest expense on lease liabilities	**0.7**	0.7
Expenses relating to short-term leases	**0.1**	0.1
Expenses relating to leases of low-value assets	**–**	0.1
Total recognised in profit and loss	**3.8**	3.1

Amounts recognised in statement of cash flows

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Repayment of lease liabilities	**2.9**	2.0
Payment of interest expense on lease liabilities	**0.7**	0.7
Payments relating to short-term leases	**0.1**	0.1
Payments relating to leases of low-value assets	**–**	0.1
Total cash outflow for leases	**3.7**	2.9

Group as lessor

The Group has a lease on an office that was entered into during 2019 and which it is also sub-letting. The Group has classified this sub-lease as an operating lease, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the asset. The head lease expires in 2029 and the sub-lease expires in 2026. The sub-lessor has the option to renew the lease at its sole discretion. The lessee does not have an option to purchase property at the expiry of the lease period.

Rental income recognised by the Group during the 15 month period to 31 March 2024 was US $0.4m (December 2022: US $nil).

The following table sets out a maturity analysis of the lease rentals receivable relating to the sub-lease, showing the lease payments to be received after the reporting date:

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

13. LEASES (CONTINUED)

Operating leases minimum rentals receivable under IFRS16

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Less than one year	**0.3**	0.2
One to two years	**0.3**	0.2
Two to three years	**0.3**	0.4
Three to four years	**–**	0.4
Four to five years	**–**	–
Total	**0.9**	1.2

14. INTANGIBLE ASSETS

	Concessions, patents, licences and trademarks US $m	Goodwill US $m	Software and licences US $m	Development costs US $m	Total US $m
Cost					
At 1 January 2022	13.8	17.3	8.2	18.0	57.3
Additions	1.1	–	0.2	3.3	4.6
Foreign exchange movements	0.1	(1.1)	(0.4)	(0.2)	(1.6)
At 31 December 2022	15.0	16.2	8.0	21.1	60.3
Additions	1.2	–	0.3	3.9	5.4
Disposals	–	–	–	–	–
Foreign exchange movements	(0.4)	0.2	(0.2)	0.2	(0.2)
At 31 March 2024	**15.8**	**16.4**	**8.1**	**25.2**	**65.5**
Amortisation and impairment losses					
At 1 January 2022	(11.5)	(5.7)	(7.2)	(4.0)	(28.4)
Charge for the year	(1.0)	–	(0.3)	(4.0)	(5.3)
Impairment charge	–	–	–	(1.6)	(1.6)
Foreign exchange movements	(0.1)	0.6	0.4	–	0.9
At 31 December 2022	(12.6)	(5.1)	(7.1)	(9.6)	(34.4)
Charge for the period	(1.2)	–	(0.5)	(6.0)	(7.7)
Impairment charge	(0.6)	(11.2)	–	(4.0)	(15.8)
Foreign exchange movements	0.2	(0.1)	0.2	0.2	0.5
At 31 March 2024	**(14.2)**	**(16.4)**	**(7.4)**	**(19.4)**	**(57.4)**
Carrying amount at 31 March 2024	**1.6**	**–**	**0.7**	**5.8**	**8.1**
Carrying amount at 31 December 2022	2.4	11.1	0.9	11.5	25.9
Carrying amount at 1 January 2022	2.3	11.6	1.0	14.0	28.9

The amortisation charge for the period is included within administrative expenses in the income statement.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

14. INTANGIBLE ASSETS (CONTINUED)

Goodwill impairment

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

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

As a result of under performance of the Lighting CGU a review for impairment was performed at 31 December 2023 which has resulted in an impairment of goodwill of US $11.2m being recognised. The underperformance can be attributed to lower than forecast sales. The recoverable amount of the Lighting segment based on value in use was calculated as US $66.7m. The impairment charge is material, non-cash, and non-operational related items and has therefore been excluded from underlying results (note 6).

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

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

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

	31 March 2024 US $m	31 December 2022 US $m
Discount rate – pre tax	**19.0%**	17.9%
Terminal growth rate	**2.0%**	2.3%
Annual 5-year revenue growth rate range for lighting segment	**10.0%**	12.0–13.0%
Annual 5-year gross margin improvement	**6.4%**	6.8%
Stewardship allocation	**80.0%**	80.0%

Other intangible asset impairment

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

In addition a further US $3.5m of development costs and US $0.6m of concessions, patents, licences and trademarks costs relating to the Lighting segment have been impaired during the period. An impairment review of other intangible assets was performed as at 31 March 2024 following the preparation of revised 5 year cashflow forecasts which showed reduced growth. The basis of the recoverable amount is the value in use using the revised 5-year forecast. A 1% increase in the discount rate increases the impairment charge by US $60k. The value in use of the Lighting CGU is disclosed above in the goodwill section.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

15. DEFERRED TAX

(i) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 March 2024 US $m	31 December 2022 US $m	**31 March 2024 US $m**	31 December 2022 US $m	**31 March 2024 US $m**	31 December 2022 US $m
Property, plant and equipment	**–**	–	**(0.5)**	(1.1)	**(0.5)**	(1.1)
Intangible assets	**0.7**	–	**–**	(0.2)	**0.7**	(0.2)
Employee benefits	**–**	–	**(1.0)**	(1.1)	**(1.0)**	(1.1)
Provisions	**3.4**	3.1	**–**	–	**3.4**	3.1
Right-of-use assets	**–**	–	**(2.0)**	(2.9)	**(2.0)**	(2.9)
Lease liabilities	**2.4**	3.3	**–**	–	**2.4**	3.3
Restricted interest	**0.8**	0.4	**–**	–	**0.8**	0.7
Losses and other items	**2.0**	1.3	**–**	–	**2.0**	1.0
Tax assets/(liabilities)	**9.3**	8.1	**(3.5)**	(5.3)	**5.8**	2.8

(ii) Movement in temporary differences during the year

	Property, plant and equipment US $m	Intangible assets US $m	Employee benefits US $m	Provisions US $m	Right-of-use asset US $m	Lease liabilities US $m	Restricted interest US $m	Losses and other items US $m	Total US $m
Balance at 1 January 2022	(1.8)	(1.6)	(0.9)	3.8	(2.9)	3.3	0.4	1.5	1.8
Recognised in income	0.3	0.8	(0.1)	(0.2)	–	–	–	0.7	1.5
Recognised in equity	–	–	(0.1)	–	–	–	–	(0.5)	(0.6)
Foreign exchange movements	0.4	0.6	–	(0.5)	–	–	–	(0.4)	0.1
Balance at 31 December 2022	(1.1)	(0.2)	(1.1)	3.1	(2.9)	3.3	0.4	1.3	2.8
Recognised in income	0.6	0.9	–	0.3	0.9	(0.9)	0.4	0.7	2.9
Recognised in equity	–	–	0.1	–	–	–	–	–	0.1
Foreign exchange movements	–	–	–	–	–	–	–	–	–
Balance at 31 March 2024	**(0.5)**	**0.7**	**(1.0)**	**3.4**	**(2.0)**	**2.4**	**0.8**	**2.0**	**5.8**

The group has recognised a net deferred tax asset of US $5.8m (2022: US $2.8m). Of this balance, US $4.8m (2022: US $2.3m) arises in the US with US $3.2m (2022: US $2.7m) relating to short term timing differences that typically unwind on a yearly basis, US $0.7m (2022: US $0.2m DTL) arising on intangible assets and US $1.5m (2022: US $0.3m) arising on losses and restricted interest deductions which have no expiry dates. This is offset by a US deferred tax liability of US $0.7m (2022: US $0.8m) arising on property, plant and equipment.

The group considers it highly probably that sufficient future taxable profits will arise in the US based on both the earning history and the future forecasted profits. In addition, the Group is satisfied that the losses will unwind in the same period as the forecasted taxable profits.

The remaining US $1.1m of the recognised net deferred tax asset arises in respect of right of use assets and lease liabilities recognised at a group level (US $0.4m) and individually immaterial net DTAs recognised by the Group's subsidiary entities in various geographical locations.

Provisions

This deferred tax item amounting to US $3.4m (2022: US $3.1m) primarily arises respect of amounts recorded in the US and comprises of a provision recorded in respect of the Sanmina dispute of US $0.8m (2022: US $0.8m), inventory reserves of US $1.1m (2022: US $0.6m), trade receivable allowance of US $0.4m (2022: US $0.5m), warranty reserves of US $0.4m (2022: US $0.5m) and UNICAP adjustments held in the US of US $0.3m (2022: US $0.2m).

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

15. DEFERRED TAX (CONTINUED)

Losses and other items

Of the US $2.0m (2022: US $1.3m) deferred tax asset relating to losses and other items, US $1.0m (2022: US $1.3m) arises in the UK and has been recognised to offset a deferred tax liability arising on employee benefits in that territory. No losses over and above the offset of the deferred tax liability have been recognised in the UK as the Group do not consider that sufficient taxable profits will arise against which further losses can be recognised. The remaining deferred tax asset of US $1.0m (2022: nil) arises in respect of carried forward unused tax losses in the US ($0.8m 2022: deferred tax liability of US $0.2m) and Singapore (US $0.2m 2022: US $0.2m) which have no expiry dates.

(iii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits.

	31 March 2024 US $m		31 December 2022 US $m	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	–	–	–	–
Tax losses	**51.1**	**12.9**	49.0	12.7
	51.1	**12.9**	49.0	12.7

(iv) Tax losses carried forward

Tax losses for which no deferred tax assets were recognised expire as follows:

	31 March 2024 US $m	Expiry date	31 December 2022 US $m	Expiry date
Expire	–	–	–	–
Never expire	**51.1**	–	49.0	–

In accordance with IAS 12, management have determined that the recoverability of deferred tax assets is not supportable in excess of deferred tax liabilities based on current 3 year forecasts.

At 31 March 2024, the Group has unrecognised deferred tax assets of US $12.9m which are not expected to be realised in the near future.

The Group has gross tax losses of US $51.1m arising in Dialight Europe US $33.5m (2022: US $32.4m), Dialight plc US $15.9m (2022: US $10.5m) and Dialight GmbH US $1.7m (2022: US $1.7m) which are available to offset against the future profits of the businesses and are not subject to expiration.

16. EMPLOYEE BENEFITS

The Group makes contributions to two closed defined benefit plans (referred to below as Plan A and Plan B) to provide benefits for employees and former employees upon retirement. The plans expose the Group to actuarial risks, such as longevity risk, interest rate risk and investment risk. Both plans are administered by discrete funds (the "Funds") that are legally separate from the Group and managed by Trustees that are independent individuals. The Trustees of the plans are required by law to act in the best interests of the plan participants and are responsible for setting certain policies (eg, investment) of the Funds.

The Company is required to agree a Schedule of Contributions with the Trustees of the Funds following a valuation which must be carried out at least once every three years, with the latest valuation in 2022. The Company expects to pay contributions of US $0.5m in respect of the Funds in the year to 31 March 2025. The weighted average duration of the defined benefit obligation is seven years for Plan A and nine years for Plan B. There is no effect on recognition of the net defined benefit surplus as a result of the asset ceiling.

For the principal defined benefit plan, the Group considers that it has the right to the refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The plan Trustees can purchase annuities to ensure member benefits and can, for the majority of benefits, transfer these annuities to members. The Trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. Our judgement is that these Trustee rights do not prevent us from recognising an unconditional right to a refund and therefore a surplus.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

16. EMPLOYEE BENEFITS (CONTINUED)

The Trustees of the pension schemes are aware of the court case involving Virgin Media and the resulting judgement which has potentially wide-ranging implications as it voids changes to contracted-out schemes that were made without a section 37 certificate under the Pension Scheme Act 1993. If upheld it will require affected schemes to undergo rectification exercises and could lead to extra liabilities for some sponsors. No adjustment has been made to the liabilities of either scheme for potential prior scheme amendments which may be impacted by this ruling. The Trustees are not yet in a position to quantify the impact of this case on the pension schemes.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit asset and its components:

	Fair value of plan assets		Defined benefit obligation		Net defined benefit asset	
	31 March 2024 US $m	31 December 2022 US $m	**31 March 2024 US $m**	31 December 2022 US $m	**31 March 2024 US $m**	31 December 2022 US $m
Balance at start of period	**25.2**	36.9	**(19.7)**	(31.7)	**5.5**	5.2
Included in profit or loss						
Current service cost	**(0.4)**	(0.2)	**–**	–	**(0.4)**	(0.2)
Interest income/(cost)	**1.5**	0.6	**(1.2)**	(0.5)	**0.3**	0.1
	1.1	0.4	**(1.2)**	(0.5)	**(0.1)**	(0.1)
Included in other comprehensive income						
Remeasurements (gain)/loss	**–**	–	**–**	8.3	**–**	8.3
Actuarial (gain)/loss arising from:	**–**	–	**–**	–	**–**	–
– changes in demographic assumptions	**–**	–	**0.4**	0.1	**0.4**	0.1
– changes in financial assumptions	**–**	–	**(0.7)**	–	**(0.7)**	–
– other experience items	**–**	–	**(0.2)**	–	**(0.2)**	–
– past service cost	**–**	–	**0.1**	(0.5)	**0.1**	(0.5)
– return on plan assets excluding interest income	**(0.1)**	(7.4)	**–**	–	**(0.1)**	(7.4)
	(0.1)	(7.4)	**(0.4)**	7.9	**(0.5)**	0.5
Other						
Contributions paid by the employer	**0.3**	0.5	**–**	–	**0.3**	0.5
Benefits paid	**(2.0)**	(1.5)	**2.0**	1.5	**–**	–
	(1.7)	(1.0)	**2.0**	1.5	**0.3**	0.5
Foreign exchange movements	**1.1**	(3.7)	**(0.9)**	3.1	**0.2**	(0.6)
Balance at end of period	**25.6**	25.2	**(20.2)**	(19.7)	**5.4**	5.5

Represented by:	**31 March 2024 US $m**	31 December 2022 US $m
Net defined benefit asset (Plan A)	**0.6**	0.5
Net defined benefit asset (Plan B)	**4.8**	5.0
	5.4	5.5

Plan assets consist of the following:

	31 March 2024 US $m	31 December 2022 US $m
Equities (class 2)	**–**	3.3
Bonds and gilts (class 2)	**24.6**	21.6
Annuities	**–**	0.3
Cash	**1.0**	–
	25.6	25.2

All equity securities and government bonds have quoted prices in active markets.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

16. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

The principal assumptions at the balance sheet date are:

	31 March 2024 %	31 December 2022 %
Discount rate	**4.6**	4.9
Future salary increases	**n/a**	n/a
Future pension increases	**3.3**	3.1
Inflation – RPI	**3.4**	3.2
Inflation – CPI	**2.7**	2.4

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	Plan A		Plan B	
	31 March 2024	31 December 2022	31 March 2024	31 December 2022
Life expectancy at age 65 for current pensioners				
Males	**88.1**	88.5	**85.1**	85.6
Females	**89.7**	90.0	**88.3**	88.7
Life expectancy at age 65 for current members aged 45				
Males	**89.0**	89.5	**86.0**	86.5
Females	**90.7**	91.1	**89.4**	89.8

Sensitivity analysis

Potential changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Plan A – Defined benefit obligation US $m	Plan B – Defined benefit obligation US $m
Discount rate – increase by 0.5%	(0.1)	(0.8)
Discount rate – decrease by 0.5%	0.1	0.7
Rate of inflation – increase by 0.5%	0.1	0.4
Rate of inflation – decrease by 0.5%	(0.1)	(0.6)
Assumed life expectancy at age 65 – increase by 1 year	0.1	0.8

The present value of the defined benefit obligation has been calculated with the same method as the defined benefit obligation recognised in the consolidated statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely the change in any of the assumptions would occur in isolation of one another as some of the assumptions are correlated.

Based on the sensitivity analysis the Directors' do not consider the actuarial assumptions to be a major source of estimation uncertainty.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

16. EMPLOYEE BENEFITS (CONTINUED)

Share-based payments PSP and DRSP

During the period, an award under the DRSP was made to the Executive Directors and senior managers, details of which are set out below.

The award was based solely on service conditions.

Date of award	Number of awards at the beginning of the period	Number of awards granted during the period	Number of awards vested during the period	Number of awards forfeited during the period	Number of awards at the end of the period	Fair value pence per share	Vesting period	Maturity date
March 2020 (EPS)	100,684	–	–	(100,684)	–	205	3 years	March 2023
March 2020 (TSR)	100,684	–	–	(100,684)	–	130	3 years	March 2023
March 2020 (service condition)	273,677	–	(273,677)	–	–	205	3 years	March 2023
April 2021 (service conditions)	273,701	–	–	(27,433)	246,268	257	3 years	April 2024
May 2021 (service conditions)	89,547	–	–	–	89,547	307	3 years	May 2024
April 2022 (service conditions)	356,720	–	–	(78,576)	278,144	349	3 years	April 2025
April 2022 (service conditions)	12,164	–	–	–	12,164	349	3 years	April 2025
April 2022 (service conditions)	12,164	–	–	–	12,164	349	2 years	April 2025
April 2023 (service conditions)	–	292,562	–	(135,553)	157,009	203	3 years	April 2026
April 2023 (service conditions)	–	379,109	–	(49,282)	329,827	203	3 years	April 2026
Total	**1,219,341**	**671,671**	**(273,677)**	**(492,212)**	**1,125,123**			

Further details of the DRSP are included in the Directors' Remuneration Report on pages pages 72 to 77.

The 2022 and 2023 awards linked to service conditions have been valued using the five-day weighted average share price prior to award date. The employee expense in the 15 month period to March 2024 is US $1.5m (2022: US $0.6m).

17. INVENTORIES

	31 March 2024 US $m	31 December 2022 US $m
Raw materials and consumables	**18.8**	27.5
Work in progress	**13.4**	14.4
Finished goods	**16.7**	22.7
	48.9	64.6
Spare parts	**0.2**	0.2
	49.1	64.8

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

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

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

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

18. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year

	31 March 2024 US $m	31 December 2022 US $m
Trade receivables	**27.6**	32.2
Other non-trade receivables	**1.4**	1.6
Prepayments and accrued income	**3.3**	2.8
	32.3	36.6

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 24.

Amounts falling due in more than one year

	31 March 2024 US $m	31 December 2022 US $m
Other receivables	**5.9**	6.8

These relate to deposits on leasehold properties and amounts held in an escrow account by Sanmina Corporation, former manufacturing partner, relating to potential excess inventory claims calculated using the terms of the manufacturing services agreement, pre-contract termination. This calculation has been superseded due to the significant level of inventory purchased post-contract which negates the requirement for this to be held by Sanmina Corporation and Dialight expects it to be returned in full. Please refer to note 26.

19. CASH AND CASH EQUIVALENTS

	31 March 2024 US $m	31 December 2022 US $m
Cash and cash equivalents	**11.5**	2.0

20. CAPITAL AND RESERVES

Share capital

	15 month period ended 31 March 2024 Number	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 Number	12 month period ended 31 December 2022 US $m
Authorised				
Ordinary shares of 1.89p each	**39,828,141**	**1.2**	32,946,371	1.0
Issued and fully paid:				
At beginning of the period	**32,946,371**	**1.0**	32,610,025	1.0
Issued during the period	**6,881,770**	**0.2**	336,346	–
At end of period	**39,828,141**	**1.2**	32,946,371	1.0

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

On 31 October 2023 a total of 6,635,257 new ordinary shares of 1.89 pence each in the capital of the Company have been allotted to raise gross proceeds of approximately US $12.9 million.

Share premium account

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
At beginning of the period	**1.2**	–
Minority interest purchase	**–**	1.2
Issued during the period	**12.7**	–
Share issues costs	**(0.9)**	–
At end of period	**13.0**	1.2

Notes to the consolidated financial statements continued
for the 15 month period ended 31 March 2024

20. CAPITAL AND RESERVES (CONTINUED)

Share premium

Share issue costs of US $0.9m have been netted off against the share premium arising on the new share issue. The share premium recognised in the 12-month period to December 2022 represents the fair value of 266,958 shares issued by the Group to acquire a further 12.5% share of its subsidiary Dialight ILS Australia Pty Ltd.

Merger reserve

On acquiring Lumidrives Limited in 2006, the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 131 of the Companies Act 1985 and hence US $1.0m was credited to the merger reserve.

Translation reserve

The translation reserve comprises all foreign exchange differences from 1 January 2004 arising from the translation of the financial statements of the Company's overseas subsidiaries.

Capital redemption reserve

The capital redemption reserve comprises the nominal value of "B" preference shares redeemed since the capital reorganisation in 2005.

Other distributable reserve

In the 15-month period to 31 March 2024 the Company purchased 19,048 shares on the open market for US $0.1m, which are being held in an employee benefit trust to settle share options in the future (2022: 20,425 shares for US $0.1m).

Dividends

No dividends were declared in the current or the prior year. After the balance sheet date no dividends were proposed by the Directors and there are no income tax consequences for the Company.

21. TRADE AND OTHER PAYABLES

	31 March 2024 US $m	31 December 2022 US $m
Trade payables	**24.2**	29.0
Other taxes and social security	**1.1**	1.2
Non-trade payables and accrued expenses	**9.0**	15.0
	34.3	45.2

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

Trade payables relate to amounts owed to suppliers for goods or services purchased on credit, primarily raw materials and other inventory purchases. Non-trade payables and accrued expenses relate to goods-in-transit and other professional fees.

22. PROVISIONS

	Warranty and claims US $m	**Lease restoration US $m**	**2022 US $m**
Balance at 1 January 2023	**2.4**	**0.2**	**2.6**
Provisions made during the period	**0.2**	**0.4**	**0.6**
Provisions utilised during the period	**(0.4)**	**–**	**(0.4)**
Foreign exchange movements	**–**	**–**	**–**
Balance at 31 March 2024	**2.2**	**0.6**	**2.8**

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

	2024 US $m	**Total US $m**
Within one year	**1.2**	**0.7**
Between one and five years	**1.3**	**1.5**
After five years	**0.3**	**0.4**
	2.8	**2.6**

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

23. BORROWINGS

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

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

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

Please refer to note 2(b) for details of how this has been considered as part of the going concern assessment.

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

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

Details of the facilities	Tenure	Interest rate per annum*	Maturity date	**Amount drawn down as at 31 March 2024**	Amount drawn down as at 31 December 2022
US $34m revolving credit facility	3 years	8.31%*	July 2026	**27.9**	25.0
£8m CLBILS	3 years	6.50%**	June 2023***	–	1.9
£2m commercial loan	3 years	7.02%**	June 2023***	–	0.5
				27.9	27.4

* Indicative rate as at March 2024.
** Indicative rate at June 2023.
***Loans were repaid in equal instalments over three years from January 2021.

The banking covenants are as follows:

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

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

24. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, market risk and liquidity risk from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Trade and other receivables

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations by not paying the receivables due.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant credit risk as it does not have any major customer concentration.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Each new customer is analysed individually for creditworthiness before the Group's standard payment conditions and terms are offered.

The Group's review includes external ratings when available and, in some cases, bank references. Purchase limits are set for customers.

Customers who do not meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of expected future losses in respect of trade and other receivables. Impairment losses are determined having taken into account special customer circumstances and financial position, together with Group information about general payment trends.

IFRS 9 introduced an expected credit loss model for calculating impairment of financial assets and the Group has applied the simplified approach as permitted by IFRS 9. The ECL model considers the Group's historical credit loss, factors specific to each receivable, the current economic environment and expected changes in future forecasts. The trade receivables balance below is shown net of the provision for bad debts. The Group provides against trade receivables based on an ECL model, calculated from the probability of default for the remaining life of the asset.

Exposure to credit risk

The ageing of trade receivables at the reporting date was:

	Gross 31 March 2024 US $m	**Specific Impairment 31 March 2024 US $m**	Gross 31 December 2022 US $m	Specific Impairment 31 December 2022 US $m
Not past due	**22.7**	**–**	26.5	–
Past due 0–30 days	**4.4**	**–**	3.7	–
Past due 30+ days	**0.5**	**–**	2.0	–
Total	**27.6**	**–**	32.2	–

The allowance in respect of trade receivables is used to record forecast impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against the financial asset directly. Other non-trade receivables of US $8.3m (2022: US $8.4m) are not past due and have no impairment. The ECL provision for the current period is not material and was not material in the prior year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

Interest rate risk

The Group's policy is to manage exposure to interest rate risk by utilising borrowings at forward risk free rate plus spread adjustment and the applicable margin based on EBITDA leverage levels. Please refer to note 23 for details of the Groups borrowings.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Exposure to currency risk arises in the normal course of the Group's business.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than each subsidiary's functional currency. The currencies giving rise to risk are primarily the Euro, Canadian Dollar and the US Dollar.

Where possible the Group uses natural hedging within the Group to hedge the majority of its foreign currency risk. Natural hedging is the mechanism whereby the cash inflows in a particular currency are matched to the cash outflows in that currency at the same business or a different Group company. The Group has borrowing facilities in US Dollars in order to match the currency of the Group's major market. Foreign exchange contracts may be taken out to manage exposures that are not mitigated through natural hedging but the Group had no foreign exchange contracts at the balance sheet date.

In respect of other monetary assets and liabilities held in currencies other than GBP sterling, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk was as follows:

	31 March 2024 GBP m	**31 March 2024 CAD m**	**31 March 2024 EUR m**	31 December 2022 GBP m	31 December 2022 CAD m	31 December 2022 EUR m
Trade receivables	**0.3**	**3.5**	**0.7**	0.8	4.0	1.9
Currency cash	**4.1**	**0.2**	**–**	(5.4)	0.1	0.5
Trade payables	**(2.0)**	**–**	**(0.3)**	(1.5)	–	(0.6)
Total	**2.4**	**3.7**	**0.4**	(6.1)	4.1	1.8

The following significant exchange rates applied during the period:

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

For non-derivative financial liabilities, the Group's exposure relates principally to trade and other payables and borrowings. Trade and other payables arise in the normal course of business and there are no unusual or onerous terms and conditions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2024	**Carrying amount US $m**	**Contractual cash flow US $m**	**2 months or less US $m**	**2–12 months US $m**	**1–2 Years US $m**	**2–5 Years US $m**	**More than 5 years US $m**
Non-derivative financial liabilities							
Trade and other payables	**(21.3)**	**(21.3)**	**(14.5)**	**(2.0)**	**(0.9)**	**(3.9)**	**–**
Borrowings	**(27.9)**	**(27.9)**	**–**	**–**	**–**	**(27.9)**	**–**
Lease liabilities	**(10.1)**	**(10.1)**	**–**	**(2.0)**	**(2.0)**	**(6.0)**	**(0.1)**
	(59.3)	**(59.3)**	**(14.5)**	**(4.0)**	**(2.9)**	**(37.8)**	**(0.1)**

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2022	Carrying amount US $m	Contractual cash flow US $m	2 months or less US $m	2–12 months US $m	1–2 Years US $m	2–5 Years US $m	More than 5 years US $m
Non-derivative financial liabilities							
Trade and other payables	(29.0)	(29.0)	(23.3)	(1.6)	–	(4.1)	–
Borrowings	(27.4)	(27.4)	(0.8)	(1.6)	–	(25.0)	–
Lease liabilities	(13.7)	(13.7)	–	(2.3)	(2.1)	(7.0)	(2.3)
	(70.1)	(70.1)	(24.1)	(5.5)	(2.1)	(36.1)	(2.3)

Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board considers consolidated total equity as capital. As at 31 March 2024, this totalled US $63.9m (2022: US $83.0m).

The Board is not proposing a final dividend for the period ending 31 March 2024. The Group has a clear capital allocation discipline and is committed to returning any excess funds to our shareholders via either a future dividend or a share re-purchase.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes, in particular in foreign exchange rates, would have an impact on equity value and consolidation earnings.

At 31 March 2024, it is estimated that a general increase of 1% in the value of the GBP sterling and the Euro against US Dollar would not have a material impact on the Group's loss before tax for the period ended 31 March 2024

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

31 March 2024	Carrying amount 31 March 2024 US $m	Fair value 31 March 2024 US $m	Carrying amount 31 December 2022 US $m	Fair value 31 December 2022 US $m
Financial assets				
Cash and cash equivalents	**11.5**	**11.5**	2.0	2.0
Loans and receivables				
Trade and other receivables	**29.0**	**29.0**	33.8	33.8
Total financial assets	**40.5**	**40.5**	35.8	35.8
Financial liabilities				
Trade and other payables	**(32.9)**	**(32.9)**	(44.0)	(44.0)
Borrowings	**(27.9)**	**(27.9)**	(27.4)	(27.4)
Lease liabilities	**(10.1)**	**(10.1)**	(13.7)	(13.7)
Total financial liabilities	**(70.9)**	**(70.9)**	(85.1)	(85.1)

Details of the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are set out in note 4(v).

25. CAPITAL COMMITMENTS

Capital commitments at the balance sheet date for which no provision has been made in the accounts were:

	31 March 2024 US $m	31 December 2022 US $m
Contracted	**2.5**	3.5

Capital commitments relate to planned capacity improvements, factory improvements and end of life asset replacement.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

26. CONTINGENCIES

Sanmina litigation

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

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

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

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

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

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

Defined benefit pension schemes

During 2011, the Roxboro UK Pension Fund (the "Scheme") was closed to future accrual. This Scheme is included within pension assets. As part of the negotiations regarding closure, the Company agreed to grant a Parent Company guarantee in respect of all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of Dialight Europe Limited, the principal employer, to make payments in the Scheme up to a maximum amount equal to the entire aggregate liability, on the date on which any liability under the guarantee arises, of every employer (within the meaning set out in Section 318 of the Pensions Act 2004 and regulations made thereunder) in relation to the Scheme, were a debt under Section 75(2) of the Pensions Act 1995 to have become due on that date. No provision has been made in relation to this contingency.

Uncertainties under income tax treatment

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

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

27. RECONCILIATION TO NON-GAAP PERFORMANCE MEASURES

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

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

12-month comparatives

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Revenue – 12 month period from January to December	**185.0**	209.8
Revenue – 3 month period from January 2024 to March 2024	**41.0**	–
Revenue	**226.0**	209.8
Gross profit – 12 month period from January to December	**58.4**	67.4
Gross profit – 3 month period from January 2024 to March 2024	**8.7**	–
Gross profit	**67.1**	67.4
Underlying gross profit – 12 month period from January to December	**58.4**	67.4
Underlying gross profit – 3 month period from January 2024 to March 2024	**11.7**	–
Underlying gross profit	**70.1**	67.4
(Loss)/Profit from operating activities – 12 month period from January to December	**(14.7)**	2.8
(Loss)/Profit from operating activities – 3 month period from January 2024 to March 2024	**(15.5)**	–
(Loss)/Profit from operating activities	**(30.2)**	2.8
Underlying profit from operating activities – 12 month period from January to December	**0.1**	6.1
Underlying (loss)/profit from operating activities – 3 month period from January 2024 to March 2024	**(4.7)**	–
Underlying (loss)/profit from operating activities	**(4.6)**	6.1
Non-underlying items – 12 month period from January to December	**(14.8)**	(3.3)
Non-underlying items – 3 month period from January 2024 to March 2024	**(10.8)**	–
Non-underlying items	**(25.6)**	(3.3)

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

27. RECONCILIATION TO NON-GAAP PERFORMANCE MEASURES (CONTINUED)

Other non-GAAP performance measures

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Gross profit	**67.1**	67.4
Non-underlying items (note 6)	**3.0**	–
Underlying gross profit	**70.1**	67.4
(Loss)/Profit from operating activities	**(30.2)**	2.8
Non-underlying items (note 6)	**25.6**	3.3
Underlying (loss)/profit from operating activities	**(4.6)**	6.1
(Loss)/Profit from operating activities	**(30.2)**	2.8
Non-underlying items (note 6)	**25.6**	3.3
Depreciation of property, plant and equipment (note 12)	**4.3**	3.6
Amortisation of intangible assets (note 14)	**7.7**	5.4
Underlying EBITDA	**7.4**	15.1
(Loss)/Profit from operating activities	**(30.2)**	2.8
Non-underlying items (note 6)	**25.6**	3.3
Depreciation of property, plant and equipment (note 12)	**4.3**	3.6
Amortisation of intangible assets (note 14)	**7.7**	5.4
Share-based payments	**1.5**	0.6
Net movement on working capital (inventories, trade and other receivables, trade and other payables) as per Consolidated Statement of Cash Flows	**10.0**	(8.1)
Underlying operating cash flow	**18.9**	7.6

As explained in note 6, the Group incurs costs and earns income that is not considered to 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.

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

Net debt

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

28. RELATED PARTIES

The ultimate Parent Company of the Group is Dialight plc. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Transactions with key management personnel

Only Directors are considered to be key management personnel and transactions with them are disclosed in note 16. Directors of the Company and their immediate relatives control less than 1% of the Company.

Other related party transactions

During the period the Company paid for a lease agreement for the previous CEO Fariyal Khanbabi which was cohabited with her son and his partner.

Notes to the consolidated financial statements continued

for the 15 month period ended 31 March 2024

29. SUBSIDIARIES

(a) Trading companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries as at 31 March 2024 is disclosed below.

Those companies stated in table (a) below are those, in the opinion of Directors, which principally affect the revenue, profit or assets of the Dialight Group. The remaining companies that comprise the Dialight Group are set out in table (b) below.

Name	Percentage owned	Registered office	Principal activity
Dialight Corporation*	100%	1501 Route, 34 South Farmingdale NJ 07727 United States	Design, assembly and sale of Lighting and Signals & Components products
Dialight Europe Limited**	100%	Highdown House Yeoman Way Worthing West Sussex United Kingdom BN99 3HH	Sale of Lighting products
Dialight GmbH*	100%	Maximilianstrasse 54 80538 Munchen Germany	Sale of Lighting products
Dialight ILS Australia Pty Limited*	100%	Level 2 Spectrum 100 Railway Road Subiaco WA 6008 Australia	Sale of Lighting products
Dialight Asia Pte. Ltd*	50%	33 Ubi Avenue 3 07–72 Vertex (Tower A) Singapore, 408868	Sale of Lighting products
Dialight Penang Sdn. Bhd.*	100%	Room B, 3rd Floor 309-K Perak Road 10150, Penang Malaysia	"Assembly and sale of Lighting and Signals & Components products"
Dialight de Mexico, S. de R.L. de C.V.*	100%	Calle Lirios S/N Colona Pacheco Ensenada Baja California Mexico	"Assembly and sale of Lighting and Signals & Components products"
Dialight Latin America, S. de R.L. de C.V.*	100%	Calle Lirios S/N Colona Pacheco Ensenada Baja California Mexico	"Sale of Lighting and Signals & Components product"

* The investment is held directly by Dialight plc except for those companies indicated by *.

** These companies are exempt from the requirement to prepare individual audited financial statements in respect of the period ended 31 March 2024, by virtue of Sections 479A and 479C of the Companies Act 2006.

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries as at 31 March 2024 is disclosed below.
Those companies stated in table (a) below are those, in the opinion of Directors, which principally affect the revenue, profit or assets of the Dialight Group. The remaining companies that comprise the Dialight Group are set out in table (b) below.
The effect on Group equity is summarised in the table below:

	15 month period ended 31 March 2024 US $m	12 month period ended 31 December 2022 US $m
Carrying amount of non-controlling interest acquired	–	0.6
Consideration paid to non-controlling interest	–	(1.2)
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)

* US $0.1m consideration plus US $0.1m of costs.

There were no transactions with non-controlling interests in the 15-month period to 2024.

Notes to the consolidated financial statements continued
for the 15 month period ended 31 March 2024

29. SUBSIDIARIES (CONTINUED)
(b) Other companies
Unless otherwise stated, the registered office for the subsidiaries listed below is the same as the Company's registered offices set out on page 152 under the "Directory and shareholder information" section.

Name	Percentage owned	Registered office	Principal activity
Belling Lee Limited**	100%	Highdown House Yeoman Way Worthing West Sussex United Kingdom BN99 3HH	Intermediary holding company
Roxboro Overseas Limited**	100%	Highdown House Yeoman Way Worthing West Sussex United Kingdom BN99 3HH	Non-trading/intermediary holding company
The Roxboro Trust Company Limited**	100%	Highdown House Yeoman Way Worthing West Sussex United Kingdom BN99 3HH	Dormant
The Roxboro UK Pension Trustee Limited*	50%	Highdown House Yeoman Way Worthing West Sussex United Kingdom BN99 3HH	Corporate pension fund trustee
Roxboro Analytical Inc.*	100%	1501 Route 34 South Farmingdale NJ 07727 United States	Non-trading
Roxboro Holdings Inc.*	100%	The Corporation Trust Co. Corporation Trust Centre 1209 Orange Street City of Wilmington County of New Castle DE United States	Non-trading/intermediary holding company
Roxboro Metrology Inc.*	100%	1501 Route 34 South Farmingdale NJ 07727 United States	Non-trading

* The investment is held directly by Dialight plc except for those companies indicated by *.

** These companies are exempt from the requirement to prepare individual audited financial statements in respect of the period ended 31 March 2024, by virtue of Sections 479A and 479C of the Companies Act 2006.

In November 2022, the Group dissolved a fully owned dormant entity CRL Components, Inc.

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

On 9 July 2024 the Group announced that it has entered into an agreement for the sale of its business manufacturing signal lights used in traffic, pedestrian and railroad management in North America (the Traffic Business) to Leotek Electronics USA LLC and realising gross cash proceeds of US $5.8m. After transaction and other costs, net cash proceeds are US $5.5m which will be used to reduce group indebtedness. The Business had previously been identified as non-core.

Appendix – Comparison of GBP and USD 31 December 2022 primary statements

CONSOLIDATED INCOME STATEMENT

	12 month period ended 31 December 2022 US $m	12 month period ended 31 December 2022 £m
Revenue	**209.8**	**169.7**
Cost of sales	(142.4)	(115.1)
Gross profit	**67.4**	**54.6**
Distribution costs	(31.5)	(25.5)
Administrative expenses	(33.1)	(26.8)
Profit from operating activities	**2.8**	**2.3**
Underlying (loss)/profit from operating activities	**6.1**	**5.0**
Non underlying items	(3.3)	(2.7)
Profit from operating activities	2.8	**2.3**
Financial expense	(2.2)	(1.8)
Profit before tax	**0.6**	**0.5**
Taxation	(0.1)	**(0.1)**
Profit for the year	**0.5**	**0.4**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 month period ended 31 December 2022 US $m	12 month period ended 31 December 2022 £m
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	0.3	8.1
Income tax on exchange differences on translation of foreign operations	–	(0.6)
	0.3	7.5
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit pension liability	0.4	0.3
Income tax on remeasurement of defined benefit pension liability	(0.1)	(0.1)
	0.3	0.2
Other comprehensive income for the year, net of tax	0.6	7.7
Profit for the period	0.5	0.4
Total comprehensive income for the year	1.1	8.1

Appendix – Comparison of GBP and USD 31 December 2022 primary statements continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2022 US $m	31 December 2022 £m
Assets		
Property, plant and equipment	16.8	13.9
Right-of-use assets	12.7	10.5
Intangibles assets	25.9	21.4
Deferred tax assets	2.8	2.4
Employee benefits	5.5	4.5
Other receivables	6.8	5.6
Total non-current assets	**70.5**	**58.3**
Inventories	64.8	53.6
Trade and other receivables	36.6	30.2
Income tax recoverable	0.8	0.6
Cash and cash equivalents	2.0	1.7
Total current assets	**104.2**	**86.1**
Total assets	**174.7**	**144.4**
Liabilities		
Trade and other payables	(45.2)	(37.3)
Provisions	(0.7)	(0.6)
Tax liabilities	(2.8)	(2.3)
Lease liabilities	(1.5)	(1.2)
Borrowings	(2.4)	(2.0)
Total current liabilities	**(52.6)**	**(43.4)**
Provisions	(1.9)	(1.6)
Borrowings	(25.0)	(20.6)
Lease liabilities	(12.2)	(10.1)
Total non-current liabilities	**(39.1)**	**(32.3)**
Total liabilities	**(91.7)**	**(75.7)**
Net assets	**83.0**	**68.7**
Equity		
Issued share capital	1.0	0.6
Merger reserve	1.0	0.5
Share premium	1.2	1.0
Other reserves	15.4	18.9
Retained earnings	64.2	47.5
	82.8	**68.5**
Non-controlling interest	0.2	0.2
Total equity	**83.0**	**68.7**

Company balance sheet (prepared under FRS 102)

as at 31 March 2024

	Note	31 March 2024 £m	Restated 31 December 2022 £m
Fixed assets			
Intangibles assets	4	**0.1**	0.2
Investments	5	**39.4**	39.8
		39.5	40.0
Current assets			
Debtors	8	**28.5**	32.7
Cash and cash equivalents		**8.0**	–
		36.5	32.7
Creditors: Amounts falling due within one year	9	**(25.2)**	(2.5)
Net current assets		**11.3**	30.2
Total assets less current liabilities		**50.8**	70.2
Creditors: Amounts falling due after more than one year	10	**–**	(23.5)
Net assets		**50.8**	46.7
Capital and reserves			
Called up share capital	11	**0.7**	0.6
Share premium	12	**10.7**	1.0
Capital redemption reserve	12	**2.2**	2.2
Other reserves	12	**5.9**	4.7
Profit and loss account	12	**31.3**	38.2
Equity shareholders' funds		**50.8**	46.7

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the Parent Company has not been presented.

The Parent Company's loss for the period was £6.9m (2022: profit of £7.6m).

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 29 July 2024 and were signed on its behalf by:

Steve Blair
Group Chief Executive

Carolyn Zhang
Chief Financial Officer

Company statement of changes in equity

for the period ended 31 March 2024

	Share capital £m	Other reserve capital contribution £m	Capital redemption reserve £m	Share premium £m	Own shares £m	Retained earnings £m	**Total equity £m**
Balance at 1 January 2023	**0.6**	**5.5**	**2.2**	**1.0**	**(0.8)**	**38.2**	**46.7**
Loss for the period	–	–	–	–	–	(6.9)	(6.9)
Total other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(6.9)**	**(6.9)**
Transactions with owners, recorded directly in equity							
Share-based payments, net of tax	–	1.2	–	–	–	–	1.2
Repurchase of own shares	–	–	–	–	–	–	–
Issue of shares (note 11 and note 12)	0.1	–	–	9.7	–	–	9.8
Total contribution by and distribution to owners	0.1	1.2	–	9.7	–	–	11.0
Balance at 31 March 2024	**0.7**	**6.7**	**2.2**	**10.7**	**(0.8)**	**31.3**	**50.8**

	Share capital £m	Other reserve capital contribution £m	Capital redemption reserve £m	Share premium £m	Own shares £m	Retained earnings £m	**Total equity £m**
Balance at 1 January 2022	0.6	5.0	2.2	–	(0.7)	31.6	**38.7**
Profit for the period	–	–	–	–	–	7.6	**7.6**
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**7.6**	**7.6**
Transactions with owners, recorded directly in equity							
Share-based payments, net of tax	–	0.5	–	–	–	–	**0.5**
Repurchase of own shares	–	–	–	–	(0.1)	–	**(0.1)**
Issue of shares	–	–	–	1.0	–	(1.0)	**–**
Total contribution by and distribution to owners	–	0.5	–	1.0	(0.1)	(1.0)	**0.4**
Balance at 31 December 2022	0.6	5.5	2.2	1.0	(0.8)	38.2	**46.7**

Notes to the company financial statements

for the period ended 31 March 2024

1. GENERAL INFORMATION

Dialight plc is a company incorporated in the United Kingdom under the Companies Act 2006.

The address of the registered office is given on page 152 of this Annual Report and Accounts.

The Company is a holding company that manages the other trading subsidiaries of the Dialight Group.

The functional currency of Dialight plc is considered to be GBP sterling because that is the currency of the primary economic environment in which the Company operates.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- cash flow statement and related notes; and
- key management personnel compensation.

As the consolidated financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share Based Payments; and
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements:

(a) Going concern

As set out in note 2(b) of the consolidated financial statements, the Directors have identified circumstances which give rise to a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern, meaning it may be unable to realise it assets and discharge its liabilities in the normal course of business. Notwithstanding this material uncertainty, the Directors consider it remains appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

(b) Intangible fixed assets

Intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

(c) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Company's debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition, and which meet the above conditions, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Notes to the company financial statements continued
for the period ended 31 March 2024

2. BASIS OF PREPARATION (CONTINUED)

(ii) Investments
Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus the fair value of other consideration. Any premium is ignored.

(iii) Equity instruments
Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(d) Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

(e) Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(f) Employee benefits
The Company operates both defined benefit and defined contribution plans. The assets of all arrangements are held separately from the assets of the Company in independently administered funds. The amount charged against profits in respect of defined contribution arrangements is the contributions payable to those arrangements in the accounting period.

For the defined benefit arrangements, the assets are measured at market values. The liabilities are measured using the projected unit credit method, discounted at the current rate of return of a high quality corporate bond appropriate to the term and currency of the liability.

The defined benefit scheme surplus or deficit is recognised in full and presented on the face of the balance sheet.

The calculation is performed by an independent qualified actuary using the projected unit credit method. In accordance with IFRIC 14 – IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", the pension surplus can be recognised as an asset on the balance sheet, limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

The Group recognises a liability in respect of the best estimate of bonus payable where contractually obliged to or where past practice has created a constructive obligation.

(g) Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

(h) Leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Notes to the company financial statements continued

for the period ended 31 March 2024

2. BASIS OF PREPARATION (CONTINUED)

(i) Share-based payment

The Company grants to its employees rights to the equity instruments of Dialight plc. The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to receive the awards. The fair value of the awards granted is measured using a pricing model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual value of share awards that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. Where the Company grants awards over its own shares to employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

(j) Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders or, in the case of an interim dividend, when the dividend is paid. Dividends receivable from subsidiaries are recognised when either received in cash or applied to reduce a creditor balance with a subsidiary.

(k) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEYS SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements

Termination of outsourced manufacturing agreement

As set out in note 2 of the consolidated financial statements significant judgement is applied in determining whether to recognise a provision or a contingent liability in respect of the claims from the Group's former manufacturing partner Sanmina. In the view of management, it is not probable that the Group will have to make a payment, therefore no provision is required and the matter is disclosed as a contingent liability in note 26 of the consolidated financial statements, which contains further details on the matter.

Estimates

Impairment of investments in subsidiaries and loans to subsidiaries

The Directors perform an annual impairment assessment for the investments held in subsidiaries and loans to subsidiaries by the Company by performing a review for indicators of impairment by assessing the performance of the subsidiaries against qualitative and quantitative factors. If any of these factors are present a detailed impairment review is undertaken. A detailed impairment assessment is performed by assessing the subsidiary's value in use which requires management to make a number of estimates. The calculations use five-year discounted cash flow projections based on financial budgets approved by management.

No provision for impairment has been recognised in the current period (2022: nil).

Recoverability of amounts due from subsidiary undertakings

The Directors assess whether amounts due from subsidiary undertakings are recoverable based on the trading results and cash generation of group companies. Amounts due are deemed impaired if subsidiaries do not generate sufficient cast to enable short-term repayment of such balances.

No provision for impairment has been recognised in the current period (2022: nil).

Notes to the company financial statements continued

for the period ended 31 March 2024

4. INTANGIBLE ASSETS

	Software £m
Cost	
At 1 January 2023	**0.2**
Additions	**–**
At 31 March 2024	**0.2**
Amortisation and impairment losses	
At 1 January 2023	–
Amortisation for the period	(0.1)
At 31 March 2024	**(0.1)**
Net book value at 31 March 2024	0.1
Net book value at 31 December 2023	0.2

5. INVESTMENTS

	Investments in subsidiaries £m	Restated Loan to subsidiaries £m	Restated Total £m
Cost			
At 1 January 2023	**22.3**	28.9	51.2
Share-based payments	0.8	–	0.8
Foreign exchange movements	–	(1.2)	(1.2)
At 31 March 2024	**23.1**	**27.7**	**50.8**
Provisions			
At 1 January 2023	**(11.4)**	–	(11.4)
Impairment charge for period	–	–	–
At 31 March 2024	**(11.4)**	**–**	**(11.4)**
Net book value at 31 March 2024	11.7	27.7	39.4
Net book value at 31 December 2023	10.9	28.9	39.8

In accordance with Section 26 of FRS 102, the cost of investment is increased to reflect the cost of share options awarded to employees of the Company's subsidiaries.

A full list of subsidiaries of the Company is provided in note 29 to the consolidated financial statements.

A reclassification at 31 December 2022 has been made for an amount of £28.9m from "Debtors" within "Current assets" to "Investments" within "Fixed assets" as the 'Loan to subsidiaries' is intended for use on a continuing basis in the company's activities and not due for repayment until more than 12 months after the balance sheet date.

Notes to the company financial statements continued

for the period ended 31 March 2024

6. FINANCIAL RISK MANAGEMENT

The Company has exposure to market risk and liquidity risk from its use of financial instruments.

The overall framework for managing risk and the interest rate risk that affects the Company is discussed in note 24 to the consolidated financial statements.

All carrying values are considered to be fair values.

A sensitivity analysis has been carried out in note 24 to the consolidated financial statements, and is considered to not be materially different for the results of the Company only.

Foreign currency risk

The Company holds monetary assets and liabilities in currencies other than GBP sterling.

The majority of these relate to intercompany balances which provide a natural hedge elsewhere in the Group.

The Company's exposure to foreign currency risk to third parties was as follows:

	31 March 2024 £m	31 March 2022 £m
Currency cash	**26.7**	23.5
Gross balance sheet exposure	**26.7**	23.5

The exchange rates applied during the year are disclosed in note 24 to the consolidated financial statements.

Liquidity risk

The Company's exposure to liquidity risk relates to its borrowings. This is discussed in note 24 to the consolidated financial statements.

7. SHARE-BASED PAYMENTS

Share-based payments are described in full in note 16 to the consolidated financial statements.

PSP and DRSP

The PSP and DRSP relating to employees and Directors of the Company is disclosed on page 76 in the Directors' Remuneration Report and in note 16 to the consolidated financial statements.

Details on assumptions and inputs used in the calculation of share-based payment amounts are disclosed in note 16 to the consolidated financial statements.

8. DEBTORS

	31 March 2024 £m	Restated 31 December 2022 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**26.8**	31.4
Other debtors	**1.2**	0.9
	28.0	32.3
Amounts falling due after more than one year:		
Pension fund asset (note 13)	**0.5**	0.4
	28.5	32.7

A reclassification at 31 December 2022 has been made for an amount of £0.4m from "Pension fund asset" within "Fixed assets" to "Debtors" within 'Current assets' as the "Pension fund asset" is not intended for use on a continuing basis in the company's activities.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2024 £m	31 December 2022 £m
Bank loans (note 10)	**22.1**	–
Amounts owed to subsidiary undertakings	**0.4**	0.4
Accruals and deferred income	**0.7**	0.7
Other creditors	**2.0**	1.4
	25.2	2.5

Notes to the company financial statements continued

for the period ended 31 March 2024

10. CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	31 March 2024 £m	31 December 2022 £m
Bank loans	–	23.5

Bank loans

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

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

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

Please refer to note 2(b) of the consolidated financial statements for details of how this has been considered as part of the going concern assessment.

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

	Bank loans £m
At 1 January 2023	**23.5**
Facility drawdown (RCF – USD)	4.6
Facility repayment (RCF – USD)	(0.8)
Facility drawdown (RCF – GBP)	0.3
Facility repayment (RCF – GBP)	(1.9)
Facility repayment (CBILS)	(2.0)
Foreign exchange movements	(1.6)
As at 31 March 2024	**22.1**

11. CALLED UP SHARE CAPITAL

	15 month period ended 31 March 2024 Number	15 month period ended 31 March 2024 £m	12 month period ended 31 December 2022 Number	12 month period ended 31 December 2022 £m
Authorised				
Ordinary shares of 1.89p each	**39,828,141**	**0.7**	32,946,371	0.6
Issued and fully paid:				
At beginning of the period	**32,946,371**	**0.6**	32,610,025	0.6
Issued during the period	**6,881,770**	**0.1**	336,346	–
At end of period	**39,828,141**	**0.7**	32,946,371	0.6

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.

Notes to the company financial statements continued

for the period ended 31 March 2024

12. CAPITAL AND RESERVES

	15 month period ended 31 March 2024 £m	12 month period ended 31 December 2022 £m
At beginning of period	**1.0**	–
Minority interest purchase	**–**	1.0
Issued during the period	**10.4**	–
Share issues costs	**(0.7)**	–
At end of period	**10.7**	1.0

Share premium

Share issue costs of £0.7m have been netted off against the share premium arising on the new share issue.

The share premium recognised in the 12 month period to December 2022 represents the fair value of 266,958 shares issued by the Group to acquire a further 12.5% share of its subsidiary Dialight ILS Australia Pty Ltd.

Dividends

No dividends were declared in the current period or the prior year. After the balance sheet date no dividends were proposed by the Directors and there are no income tax consequences for the Company.

Other distributable reserve

In the 15-month period to 31 March 2024 the Company purchased 19,048 shares on the open market for £0.0m, which are being held in an employee benefit trust to settle share options in the future (2022: 20,425 shares for £0.1m).

13. PENSIONS

The Company operates a defined contribution plan and a defined benefit pension arrangement called the Roxboro UK Executive Pension Fund (the "Executive Fund").

The Executive Fund provides benefits based on final salary and length of service on leaving.

The Executive Fund is closed to new members.

The following disclosures exclude any allowance for defined contribution funds operated by the Company.

The Executive Fund is subject to the "Statutory Funding Objective" under the Pensions Act 2004.

An actuarial valuation of the Executive Fund is carried out at least once every three years to determine whether the Statutory Funding Objective is met.

As part of the process the Company must agree with the Trustees of the Executive Fund the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Company is required to agree a Schedule of Contributions with the Trustees of the Executive Fund following a valuation which must be carried out at least once every three years, with the latest valuation in 2022.

Recognised assets for defined benefit arrangements	31 March 2024 £m	31 December 2022 £m
Present value of funded obligations	**(2.0)**	(2.1)
Fair value of plan assets	**2.5**	2.5
Recognised asset for defined benefit arrangements	**0.5**	0.4

Plan assets consist of the following:

	31 March 2024 £m	31 December 2022 £m
Bonds	**2.5**	2.5

The assets do not include any investments in shares of the Company.

Movements in the present value of defined benefit obligations	31 March 2024 £m	31 December 2022 £m
Liabilities at start of period	**2.1**	2.9
Interest cost on obligation	**0.1**	0.1
Benefits paid	**(0.1)**	(0.1)
Changes in financial assumptions	**(0.1)**	(0.8)
Liabilities at end of period	**2.0**	2.1

Notes to the company financial statements continued
for the period ended 31 March 2024

13. PENSIONS (CONTINUED)

Movements in fair value of plan assets	31 March 024 £m	31 December 2022 £m
Assets at start of period	**2.5**	3.1
Interest income on assets	**0.1**	0.1
Employer contributions	**–**	0.1
Benefits paid	**(0.1)**	(0.1)
Return on plan assets less interest	**–**	(0.7)
Assets at end of period	**2.5**	2.5

Expense recognised in the profit and loss account	31 March 2024 £m	31 December 2022 £m
Interest cost on obligation	**0.1**	0.1
Interest income on assets	**(0.1)**	(0.1)
Assets at end of period	**–**	–

Liability for defined benefit obligations	31 March 2024 %	31 December 2022 %
Discount rate at end of period	**4.6**	4.9
Future pension increases	**3.3**	3.1
Inflation – RPI	**3.4**	3.2
Inflation – CPI	**2.7**	2.4

For its UK pension arrangements, the Group has for the purpose of calculating its liabilities as at 31 March 2024, used SAPS S2NA mortality tables based on year of birth (as published by the Institute and Faculty of Actuaries).

Weighted average life expectancy to determine benefit obligations	31 March 2024	31 December 2022
Male life expectancy:		
Retiring at age 65 now	**88.1**	88.5
Retiring at age 65 in 20 years	**89.7**	90.0
Female life expectancy:		
Retiring at age 65 now	**89.0**	89.5
Retiring at age 65 in 20 years	**90.7**	91.1

For its UK pension arrangements, the Group has for the purpose of calculating its liabilities as at 31 March 2024, used SAPS S3NMAL mortality tables based on year of birth (as published by the Institute and Faculty of Actuaries).

14. EMPLOYEE EXPENSES

	15 month period ended 31 March 2024 £m	12 month period ended 31 December 2022 £m
Wages and salaries	**2.7**	2.2
Social security costs	**0.3**	0.3
Contributions to defined contribution plans	**0.1**	0.1
Total charge for defined benefit plans	**–**	–
Total personnel expenses	**3.1**	2.6

The average number of employees during the period was 17 (2022: 18).

Further details on directors' remuneration are included in the Directors' Remuneration Report on pages 72 to 77.

Directory and shareholder information

REGISTERED OFFICE, CONTACT DETAILS AND COMMUNICATIONS

Company Secretary and Registered Office.
Registered in England and Wales
Company number: 2486024

Company Secretary: Richard Allan

REGISTERED OFFICE

60 Petty France
London SW1H 9EU

CONTACT DETAILS:

Email (Company Secretary):
dsecretary@dialight.com

Email (investor relations): ir@dialight.com
Web: www.dialight.com

WEBSITE

Shareholders are encouraged to visit our website, www.dialight.com, which contains information about Dialight. Any information on or linked from the website is not incorporated by reference into the Annual Report and Accounts unless expressly stated in this Annual Report. There is a section designed specifically for investors at www.ir.dialight.com, which includes detailed coverage of Dialight's share price and our financial results, historical reporting, announcements and other governance information. Investors can register for news alerts by email at www.ir.dialight.com/news-and-media/emailalerts/. You can also review this year's Annual Report and Accounts. Our share price is also available on the London Stock Exchange's website, www.londonstockexchange.com.

ELECTRONIC COMMUNICATIONS

The carbon footprint and cost saving from electronic communications rather than hard copy printing can be very considerable. We strongly encourage all Dialight shareholders to move to electronic communications. The process to elect for electronic communications is very simple. To receive notification to your email address or in hard copy, whenever shareholder documents are available on the Company's website, please register online by visiting our Registrar's website, www.shareview.co.uk and complete your details.

REGISTRARS AND SHARES

Address

Equiniti, Aspect House
Spencer Road Lancing
West Sussex BN99 6DA

Telephone

Equiniti's Shareholder Contact Centre can be contacted by telephone on 0371 384 2495 (international callers: +44 121 415 7047) between 8.30am and 5.30pm Monday to Friday, excluding bank holidays.

Web

You can also access details of your shareholding and a range of other shareholder services by registering at www.shareview.co.uk.

DEALING SERVICE

Equiniti offers "Shareview Dealing"– a service which allows you to sell your Dialight plc shares or add to your holding if you are a UK resident. You can deal in your shares on the internet or by telephone. For more information about this service and for details of their rates, log on to www.shareview.co.uk/dealing or telephone 0345 603 7037 between 8.30am and 4.30pm, Monday to Friday. If you wish to deal, you will need your account/shareholder reference number which appears on your share certificate. Alternatively, if you hold a share certificate, you can also use any bank, building society or stockbroker offering share dealing facilities to buy or sell shares. If you are in any doubt about buying or selling shares, you should seek professional financial advice.

Directory and shareholder information continued

ADVISERS:

Financial advisers
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Auditors
Grant Thornton
30 Finsbury Square
London EC2A 1AG

Legal advisers
Ashurst
London Fruit & Wool Exchange
London E1 6PW

Osborne Clarke
One London Wall
Barbican
London EC2Y 5EB

Principal bankers
HSBC Bank PLC
West London Corporate Centre
1 Beadon Road
London W6 0EA

2024 FINANCIAL CALENDAR

Annual General Meeting: Monday 23 September 2024.

Any amendments to the financial calendar will be notified on the Company's website (www.dialight.com).

FORWARD-LOOKING STATEMENTS

Certain sections of this Annual Report contain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Company and its subsidiaries and associates operate. It is believed that the expectations reflected in the Annual Report are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Notes

Designed and produced by:
Radley Yeldar | www.ry.com

Dialight plc
60 Petty France
London SW1H 9EU
+44 (0)20 3058 3541

info@dialight.com
www.dialight.com

Registered in England and Wales
Company number: 2486024

Dialight