Unaudited 2011 Preliminary Results

27-FEB-2012

RNS Number : 1351Y
Dialight PLC
27 February 2012

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Dialight plc

Unaudited Preliminary Results for the Year ended 31 December 2011

Dialight plc ('Dialight' or the 'Group'), the UK based leader in Applied LED Technology, announces its unaudited preliminary results for the year ended 31 December 2011.

Highlights

- Profit before tax of £15.1m excluding pension disposal cost (2010: £11.3m)
- Full year Revenues grew 14.4% to £113.5m (2010: £99.2m)
- Signals/Illumination Segment Revenues increased 29.0% to £78.8m (2010: £61.1m)
- Lighting Revenues more than doubled once again with growth of 128% to £26.3m (2010: £11.6m)
- Strong operating cash flow leading to net cash of £13.7m (2010: £10.4m)
- Final dividend of 6.7 pence (2010: 5.2 pence) an increase of 28.8% giving a total dividend for the year of 10.0p (2010: 8.0p)

Roy Burton, Group Chief Executive, said:

"Once again the Group's performance was driven by its Signals/Illumination Segment and in particular by the continued doubling of sales of Solid State Lighting."

Harry Tee CBE, Chairman, said:

"2011 has seen a further increase of Dialight's success in converting the Industrial Lighting Market to Solid State Lighting offering significant energy and maintenance savings thus laying the foundations for continued growth."

For further information:

Roy Burton, Group Chief Executive and Mark Fryer, Group Finance Director, Dialight plc, Tel: 01638 778640

Simon Bridges, Canaccord Genuity Limited, Tel: 020 7050 6500

Robert Speed, Kreab Gavin Anderson, Tel: 020 7074 1800, dialight@kreabgavinanderson.com
There will be an analyst and investor meeting at 09.30 hours this morning at Kreab Gavin Anderson, Scandinavian House, 2-6 Cannon Street, London EC4M 6XJ.

A slide presentation of the event will be available at 09.30 hours on http://www.dialight.com.

Internet users will be able to view this announcement, together with other information about Dialight at the company's web site http://www.dialight.com.

Financial Results

Revenue in the year to 31st December 2011 grew by 14.4% to £113.5m compared with £99.2m in 2010. This is a pleasing performance and with particularly strong growth in Lighting of 128% to £26.3m and Obstruction of 45% to £17.8m. Group contribution margins have increased from 41.0% to 42.7% with the benefit of significant investment in product re-engineering and cost reduction. Underlying Group operating profit has increased more than 34.6% to £15.1m (2010: £11.2m) and with tight working capital control, the Group generated operating cash flow of £12.4m leading to a year-end cash balance of £13.7m.

Included in the Income Statement are; non-underlying expenses of £2.8m relating to a provision to settle a longstanding dispute with a rail signalling customer, non-underlying other operating income of £2.7m relating to the grant of a lifetime licence to use some of our patented technology and a non-underlying financial expense of £0.7m relating to the cost of buying out the US defined benefit pension scheme.

These results provide a solid base for future growth and continued commercial and technical investment will support that growth for the coming years.

Dividend

In line with the Group's progressive dividend policy the Board has recommended a final dividend of 6.7 pence per share (2010: 5.2 pence) giving a total dividend of 10.0 pence (2010: 8.0 pence) which is an increase of 25%. Dividend cover is 3.0 times. Subject to approval by the shareholders at the Annual General Meeting, this dividend will be paid on 9th May 2012 to shareholders on the register at close of business on 10th April 2012.

Business Review

The continuation of turbulent economic conditions set the background for the year, yet the Group was still able to post record revenues with growth of almost 15% overall and almost 30% in its key Signals/Illuminations Segment. The principal drivers within the segment were Obstruction Lighting with growth of 45% and Industrial Lighting with growth of 128%. Our strategy of continued focus on large niche markets with significant barriers to entry is proving to be successful even against a tough economic backdrop.

Revenues in the LED Indication Components Segment have always been cyclical and the global economy has undoubtedly affected the appetite of our Distributors in this segment to hold inventory. Whilst their sales of our products to end users have been relatively flat for the last twenty four months, our sales to the Distributors are down by almost 14% year on year. This business is expected to return to more normal levels when confidence in the economy returns.

Sales of Electromagnetic Components were flat for the year in a difficult pricing environment. The price of both silver and copper escalated significantly in 2011 and not all of our customers were prepared to pay for this increased cost. We therefore declined to supply them in 2011. The potential volumes from the Smart Meter market are significant, but the Board has decided to investigate the potential for selling this business and this is planned to conclude by the end of the first half of 2012.

In 2011, all of the Group's growth in both revenues and profits came from the Signals/Illumination Segment. As the efficiencies and costs of LEDs improve, more applications for Solid State Lighting make financial and environmental sense for our customers in the Industrial marketplace.

Signals/Illumination Segment

	2011	2010
Revenue	£78.8m	£61.1m
Segment profit	£13.8m	£8.7m

Overall growth of almost 30% for the year with significant gains in Lighting and Obstruction Products, our two key growth lines, was a pleasing result. European Traffic Lights displayed very modest growth due to municipal budget constraints but nevertheless there is an inherent need for Europe to convert its incandescent based traffic lights to LED technology leading to growth in this market as budget pressures ease.

Contribution Margin strengthened once again showing an almost 2 percentage point improvement over 2010. This was helped in part by the continued downward pressure on prices for the LED components we buy, but more particularly by the improved efficiencies available and Dialight's ability to capitalise on those improvements and provide more efficient and cost effective products for our customers.

Traffic Signals

Overall, sales into this market were flat with Europe showing just a little growth. In the longer term we would expect to see European sales growth of up to 10% a year due to the low penetration of LED Traffic Lights in this geography. As one would expect, current economic conditions have adversely affected our European business, although there are still some cities where LED technology is being adopted into traffic signals. We are well placed in our relationships with key Traffic Systems OEMs throughout Europe and in particular with Siemens. These OEMs supply a complete traffic system to towns and cities throughout Europe. With the current low level of adoption we expect to see growth to return as the economy improves or as capital for cost saving projects becomes available.

Dialight has been supplying LED Traffic Lights to the North American market for over a decade and the market is now mature, the majority of the installed base of traffic lights having already been converted to LED technology. Much of the activity now is around replacing the LED signals which were supplied at the end of the 1990's and early 2000's. The Group sells through an exclusive network of traffic based distributors, which provide a strong and somewhat protected channel to this market.

Obstruction Lighting

All around the world tall structures are marked by red and sometimes white lights as a collision warning for aircraft. Regulations are similar from country to country but enforcement of these rules is most strict in North America. Due to the inaccessibility of many of these lights and their locations, maintenance has been a long term problem for the owners and operators of these tall structures. In order to fulfil their function, these lights need to be lit and Dialight has been supplying highly reliable LED versions of these lights for some years.

Sales in Obstruction Lighting grew by 45% in 2011 to £17.8m driven by two different markets. In the United States, the Federal Aviation Administration prescribes the illumination of all structures in excess of 199 feet. During the daytime they have to be illuminated with a white strobe light, the light source being typically a xenon strobe tube. These tubes have unpredictable lifetimes, which in the best instance are significantly less than an LED light, therefore Dialight introduced an LED version of this strobe light. To date there is no other approved LED version of this light. It is estimated that there are more than 80,000 strobe lights installed today, most of them on communications towers. Dialight has been successful in achieving adoption of this technology by the top ten cellphone tower operators in the United States. These lights are warranted for a minimum of five years but the expectation is that they will outlast the tower on which they are mounted. To date we have installed only 7,000 of the available 80,000 thus leaving a market of almost a quarter of a billion dollars still to be converted.

In early 2010, we acquired BTI Light Systems in Copenhagen. BTI had long been a supplier of lighting to the Marine and latterly the Offshore Wind Turbine market. Whilst Dialight has been traditionally strong in North America in its supply of

Obstruction Lighting to the Wind Turbine market - almost exclusively onshore - access to the European Offshore Wind Turbine market had proved difficult. The arrival of BTI into the Dialight family has opened up that market and 2011 proved to be a successful year for BTI. This was helped by some recovery in the European Offshore Wind market and BTI supplied significant projects in the UK, Denmark and Southern Europe. In 2012 we will continue our cooperation with the major turbine manufacturers as new potential opens up for German offshore projects as well as further onshore installations in Eastern Europe.

In 2010, Dialight and BTI developed a 100,000 candela strobe for very tall towers in Sweden. This is five times as bright as the US strobe light mentioned previously and we expect to see some projects that utilise this strobe in the coming year. This however is not our brightest light. The US market requires an ultra bright strobe light for very tall broadcast towers (very tall is defined as greater than 500 feet). We have developed a 270,000 candela strobe with very complex system capabilities. First shipments were made in the fourth quarter of 2011 and sales are expected to grow in 2012 and once again Dialight is the only qualified supplier of an LED version of this light.

Overall, Obstruction Lighting should provide significant growth for the Group in the next several years.

Solid State Lighting
Dialight's strategy for Solid State Lighting continues to be a focus on large market niches with defensible barriers to entry and where today's LED technology can deliver strong paybacks for customers. Much of the publicity regarding Solid State Lighting has been around domestic and commercial lighting and even government legislation has been around energy efficient light bulbs with many countries banning or preparing to ban incandescent light bulbs. Dialight's approach has been to look for applications where LED technology can bring immediate savings and short paybacks to its customers - with or without government help. In order to do this it is essential to look at applications where lighting is used 24 hours a day, maintenance is expensive and inconvenient, lights have to withstand onerous conditions and regulation leads to expensive and complex conventional light fixtures. Heavy and hazardous industrial conditions fit those requirements and therefore this is the key target market in Dialight's Lighting strategy.

Having commenced on this strategy in 2009, we have once again grown our business in 2011 by more than 100% to over £25 million. In 2010 almost all of our industrial lighting sales came from North America but in 2011 we initiated a plan to grow our sales globally. Investment in sales resource in Western Europe, the Middle East and Asia along with small acquisitions in Australia and Japan have positioned Dialight to build on a successful 2011 by expanding its geographical footprint. Even with more than doubling sales in 2011, penetration of the Industrial Lighting market is insignificant. The conventional Hazardous Lighting market alone is almost a billion dollars annually and has an installed base of ten times that size.

Our customer base has increased over the year and includes many of the world's premier companies in the Oil and Gas, Pharmaceutical, Mining, Power Generation and Food Processing industries. Our sales forces have grown in size over the last year with increases in Western Europe, Dubai, Singapore and of course the acquisitions in Australia and Japan. In addition our North American sales presence has doubled since the beginning of 2011. This will be a continuing trend as we grow our sales and our sales force at the same time and expand our geographical presence to fully address the global markets we serve.

The supply side of LEDs has continued to expand with major capital spends taking place to produce even more chips. This trend has resulted in over capacity and the resulting pressure on LED prices. As a major purchaser of these components, we have been able to take advantage of this better pricing as well as the improved performance that is now available. Not only have our margins have improved once again but the performance of our products has also increased. Our latest offering is able to provide an efficiency of 100 fixture lumens/watt and almost 18,000 total lumens versus the best at the end of 2010 of 81 lumens/watt and 11,500 total lumens. This new fixture is similarly priced to the older product and significantly enhances the value proposition for our customers.

LED Indication Components Segment

	2011	2010
Revenue	£20.8m	£23.5m
Segment profit	£4.6m	£5.6m

The foundation of the Dialight business LED Indication consists of the supply of small LED assemblies for status indication for use by major OEMs offering equipment for enterprise customers. This niche business is not expected to grow but will cycle with the electronics market. This is a strong generator of profits, carrying healthy margins. These margins have remained stable over many years and are expected to do so for many more. The business is split between sales through distributors, which constitutes more than half of the revenues and address over 15,000 Dialight customers. The balance of the business goes through contract manufacturers who assemble for our major OEM customers who supply high end servers, internet access equipment, cellular infrastructure and storage. During the first half of 2011 sales continued at the same level as the second half of 2010, but the second half of 2011 saw a reduction in orders and sales which resulted in an 11% reduction in sales year on year. Sales to end users however did not reduce significantly and it appears that we have seen a reluctance for the channel to hold appropriate inventories. We believe the fundamentals of the business remain sound and should provide several years of continued profit input albeit with fluctuations in line with the general electronics market.

Electromagnetic Components Segment

	2011	2010
Revenue	£13.9m	£14.6m
Segment (loss)/profit	£(0.1m)	£0.1m

Revenue in this segment was marginally down. Potential growth in sales into the US Smart Meter market was not possible due to commodity price increases, which were not accepted by some of our US customer base. Although this segment offers strong growth potential, the Board has commenced an investigation for the potential to sell the smart meter Electromagnetic business.

Operations and Engineering

Continued improvement of our products is key to our continued success. Our Engineering and Operations teams are tasked with an ongoing objective of improved performance and reduced cost as both the performance of LEDs increases and our techniques for extracting the most light for the least power evolve. Our product and technology roadmap continues to be aggressive and the good performance of 2011 is but a template for the coming years. Our Signals/Illuminations contribution margins improved by 1.7% and the efficiency of our white lights improved by 23% and at a better cost.

Our patent base grew considerably in 2011. We had 8 new patents granted. We filed 25 new applications and we had 78 patent applications pending at the year end. Innovation and improvement are the watchwords for our technical staffs as they take on the challenge to provide the best and most cost effective products in the industry.

Once more our operations performed well as we expanded capacity for Solid State Lighting in both North America and the United Kingdom. Our focus is on superior operational performance and the continuous improvement of our cost base. .

Summary

Once again our niche strategy has delivered top and bottom line growth with a road map to sustain this for the coming years. Our products have improved during 2011 and have brought better savings in energy, less maintenance and improved safety to our customers. The key Signals/Illumination segment is positioned to drive the Group forward to achieve continued growth which will be more strongly fuelled by our developments and innovations in Solid State Lighting as we enable the penetration of our solutions into the vast installed base of Industrial Lighting.

Current Trading and Outlook

2012 should see continued strong growth in Signals/Illumination driven by sales of Obstruction Lights and Solid State Lights for the Industrial market. We expect to see further enhancements to the value that our products bring to our customers as our technical team capitalises on the ongoing developments in LED technology.

The growth in revenues and the Group's focus on the cost and performance of its products gives us confidence for a future of sustainable profit improvement in this year and the years to follow.

Roy Burton, Group Chief Executive.
Harry Tee CBE, Chairman.

27 February 2012

Principal Risks and Uncertainties

The following section sets out the principal risks and uncertainties facing the Group. There may be other risks and uncertainties, which are not yet known or which are currently considered to be immaterial but later turn out to have a material impact. Some of the areas set out will be outside of any influence that the business may exert. Should any of the risks actually materialise then Dialight's business, financial condition, prospects and share price could be materially and adversely affected.

Macro-economic conditions

A continuing significant slowdown in economic conditions globally and in certain territories such as North America could have a material effect on sales and operating profit in particular for the LED Indication Components business. Management of the LED Indication Components business monitor the general electronics demand index as well as industry forecasts so as to become aware of market trends. In addition the monthly Point of Sales data which is provided by US customers is reviewed on a monthly basis as this is also considered to provide valuable information on market demand.

Increasing inflationary pressures on areas such as raw material and sub-contract costs may have an adverse impact on operating margins.

The current adverse economic conditions may cause both private and public organisations to reduce and/or defer their capital spending budgets which may impact on sales of almost all of our products.

Changes in government legislation or policy

National and local policies with regard to energy savings in a number of areas such as transport and communication are constantly evolving. This should favour Dialight's efforts in growing sales in some key niche current and potential opportunities identified by the Signals/Illumination business.

Additionally legislation may introduce new higher and more exacting specifications for existing products which will require product redesign and regulatory re-certification. It is Dialight policy to operate in highly regulated markets which require suppliers to achieve compliance with demanding product standards. Our design and engineering departments have a proven track record in technical ability evidenced by strong working relationships with customers and regulatory boards, the design and introduction of new products and the portfolio of registered IPR. Therefore changes in product specifications should favour Dialight in giving us an advantage over competition.

Competitive environment

We operate in competitive markets and there exists a threat that existing competitors or potential new entrants will be successful in taking market share. The threat may, for example, come from an extremely aggressive pricing policy for larger traffic contract bids in US and Europe.

Our focus on identifying, developing and maintaining sales routes to market, servicing strong customer relationships, competitive and leading edge product portfolios and cost efficient manufacturing plants supports Dialight as a major player in our chosen markets and helps to reduce the risk of losing market share to competition.

Laws and regulations

The Group's operations are subject to a wide range of laws and regulations including employment, environmental and health and safety legislation. All Group companies have an employee handbook detailing employment practices and staff who receive the appropriate training and support to operate in their roles. Each site has a health and safety manager responsible for compliance and performance in this area.

Strategy for revenue growth - LED technology

The strategy of the Board includes the following financial goals:

1. To grow annual sales by compound double-digit percentage
2. Compound EPS growth in the mid teens

The achievement of the goals is dependent on growing sales in the chosen markets within the Signals/Illumination business such as industrial white lighting. The adoption by the market of LEDs for new applications is principally dependent on the increased efficiency and reduced cost of LEDs versus existing technologies such as Fluorescent or High Intensity Discharge. The achievability of the Group's longer term sales growth would be seriously at risk if the parties who are developing the LEDs did not achieve the expected progress such that new applications did not become feasible.

Additionally within the fast changing technology world that exists there is a possibility of a technology being developed that supersedes LEDs. Our engineers are actively contributing by their presence on industry related boards, attendance and presentations at industry seminars etc., so as to be proactively involved and keep abreast of developments on a regular basis.

Intellectual property

The development and ownership of intellectual property is critical in underpinning the growth potential for the business. The Group operates a stringent policy on the sharing of know how with third-parties as well as having a well defined policy on the in house identification and registration of patents. If the Group fails to or is unable to protect, maintain and enforce its existing intellectual property, it may result in the loss of the Group to the exclusive right to use technologies and processes which are included or used in its businesses. Over the last couple of years a plan to improve the quality of the New Product Introduction systems across the businesses has been implemented with good progress being made as evidenced by the expanding Patent portfolio.

Product liability risks

If a product of the Group does not conform to agreed specifications or is otherwise defective, the Group may be the subject to claims by its customers arising from end-product defects or other such claims. The Group carries product liability insurance.

Financial markets

Recent turmoil in global financial markets could pose risks to the financial position of both our customers and suppliers and also to the ability of the Group to renegotiate bank facilities.

Customers are subject to credit checks and there is very close review of trade debtors, day's outstanding and overdue amounts. Purchase limits are set for all customers.

There are ongoing reviews of supplier bases to ensure wherever possible that there is not over-reliance on one specific supplier.

The Group has a good relationship with the principal Group bankers Barclays. Currently the Group has no draw down against the existing facility. Regular contact will be kept with the banks to ensure that they understand the business and its requirements.

Currency exchange rate risk

The Group is exposed to translation exchange rate risk as a significant proportion of the Group's results and assets and liabilities are reported in US dollar and Euros and are therefore subject to translation to Sterling for incorporation into the Group's results. In addition, transactions are carried out by Group companies in currencies other than Sterling leading to transactional foreign exchange risk. Where possible the Group's nets such exposures and maintains a hedging programme utilising foreign exchange forward contracts and currency overdrafts to cover specific contracts and such proportion of other anticipated exposures as can be estimated with reasonable certainty.

Acquisition strategy

The Group's acquisition strategy may not achieve its goals due to an inability to identify suitable acquisition targets and to integrate successfully acquired businesses into the Group.

The Board plans to make acquisitions of businesses if the targets fit appropriately into the strategy by strengthening our product range and existing technologies, offering new and attractive sales routes to markets, have high performance and motivated management, and have a proven profit record.

The successful implementation of our acquisition strategy depends on our ability to identify targets, in completing the transaction, achievement of an acceptable rate of return, and a successful and timely integration post acquisition.

Responsibility statement

The Directors confirm that to the best of their knowledge:

(i) the financial information contained herein have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) This announcement includes:

(a) an indication of important events that have occurred during the financial year, and their impact on the financial statements contained herein; and

(b) a description of the principal risks and uncertainties; and

By order of the Board
Nick Giles
Company Secretary
Exning Road
Newmarket
Suffolk
CB8 0AX
27 February 2012

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

	Note	2011 Underlying £'000 (unaudited)	2011 Non-Underlying £'000 (unaudited) (See Note 2)	2011 Total £'000 (unaudited)	2010 Total £'000 (audited)
Continuing operations					
Revenue	**1**	**113,524**	**-**	**113,524**	99,183
Cost of sales		(80,094)	-	(80,094)	(71,897)
Gross profit		33,430	-	33,430	27,286
Distribution costs		(9,183)	-	(9,183)	(7,212)
Administrative expenses		(9,192)	(2,808)	(12,000)	(8,891)
Other operating income		-	2,741	2,741	-
Profit from operating activities	**1**	**15,055**	**(67)**	**14,988**	11,183
Financial income		1,265	-	1,265	1,937
Financial expense		(1,234)	(704)	(1,938)	(1,821)
Net financing income/(expense)		31	(704)	(673)	116
Profit before income tax		**15,086**	**(771)**	**14,315**	11,299
Income tax expense	**3**	**(5,056)**	**332**	**(4,724)**	(3,846)
Profit for the year		**10,030**	**(439)**	**9,591**	7,453
Attributable to:					
- Equity owners of the company		10,109	(439)	9,670	7,453
- Non-controlling Interests		(79)	-	(79)	-
Profit for the year		**10,030**	**(439)**	**9,591**	7,453
Earnings per share					
Basic	4			30.3p	23.8p
Diluted	4			29.5p	23.2p

The accompanying notes form an integral part of these financial statements.
There were no non-underlying items in 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	2011 £'000 (unaudited)	2010 £'000 (audited)
Other comprehensive Income		
Exchange difference on translation of foreign operations	**74**	118
Income tax on exchange differences on transactions of foreign operations	**(26)**	201
Actuarial losses on defined benefit pension schemes	**(188)**	(1,810)
Income tax on actuarial losses on defined benefit pension schemes	**60**	631
Other comprehensive income for the period, net of tax	**(80)**	(860)
Profit for the year	**9,591**	7,453
Total comprehensive income for the year	**9,511**	6,593
Attributable to:		
- Owners of the parent	9,586	6,593
- Non-controlling interest	(75)	-
Total comprehensive income for the year	**9,511**	6,593

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share	Merger	Translation	Capital	Retained	Total	Non-	Total

	capital £'000	reserve £'000	reserve £'000	redemption reserve £'000	earnings £'000	£'000	controlling interests £'000	Equity £'000
Balance at 1 January 2011	597	1,449	3,407	2,232	38,484	**46,169**	-	**46,169**
Profit	-	-	-	-	9,670	**9,670**	(79)	**9,591**
Other comprehensive income:								
Foreign exchange translation differences, net of taxes	-	-	44	-	-	**44**	4	**48**
Actuarial losses on defined benefit pension plans, net of taxes	-	-	-	-	(128)	**(128)**	-	**(128)**
Total other comprehensive income	-	-	44	-	(128)	**(84)**	4	**(80)**
Total comprehensive income for the year	**-**	**-**	**44**	**-**	**9,542**	**9,586**	**(75)**	**9,511**
Transactions with owners, recorded directly in equity:								
Own shares issued	4	-	-	-	(4)	**-**	-	**-**
Share-based payments, net of tax	-	-	-	-	1,511	**1,511**	-	**1,511**
Deferred bonus share scheme	-	-	-	-	230	**230**	-	**230**
Dividends	-	-	-	-	(2,683)	**(2,683)**	-	**(2,683)**
Dividends on shares awarded under the PSP	-	-	-	-	(115)	**(115)**	-	**(115)**
Unpaid dividends returned from shareholders	-	-	-	-	2	**2**	-	**2**
Total contributions by and distributions to owners	**4**	**-**	**-**	**-**	**(1,059)**	**(1,055)**	**-**	**(1,055)**
Change in ownership interests in subsidiaries:								
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	**-**	139	**139**
Balance at 31 December 2011	**601**	**1,449**	**3,451**	**2,232**	**46,967**	**54,700**	**64**	**54,764**
Balance at 1 January 2010	591	546	3,088	2,232	33,647	40,104	-	40,104
Profit	-	-	-	-	7,453	7,453	-	7,453
Other comprehensive income:								
Foreign exchange translation differences, net of taxes	-	-	319	-	-	319	-	319
Actuarial losses on defined benefit pension plans, net of taxes	-	-	-	-	(1,179)	(1,179)	-	(1,179)
Total other comprehensive income	-	-	319	-	(1,179)	(860)	-	(860)
Total comprehensive income for the year	**-**	**-**	**319**	**-**	**6,274**	**6,593**	**-**	**6,593**
Transactions with owners, recorded directly in equity:								
Issue of shares on acquisition	6	903	-	-	-	909	-	909
Share-based payments, net of tax	-	-	-	-	785	785	-	785
Dividends	-	-	-	-	(2,228)	(2,228)	-	(2,228)
Unpaid dividends returned from shareholders	-	-	-	-	6	6	-	6
Total contributions by and distributions to owners	**6**	**903**	**-**	**-**	**(1,437)**	**(528)**	**-**	**(528)**
Balance at 31 December 2010	**597**	**1,449**	**3,407**	**2,232**	**38,484**	**46,169**	**-**	**46,169**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	2011 £'000 (unaudited)	2010 £'000 (audited)
Assets		
Property, plant and equipment	**8,929**	8,218
Intangible assets	**12,158**	10,488
Deferred tax assets	**1,950**	3,162
Employee Benefits	**803**	420
Total non-current assets	**23,840**	22,288
Inventories	**15,842**	9,187
Trade and other receivables	**22,846**	18,856
Cash and cash equivalents	**13,700**	10,359
Total current assets	**52,388**	38,402
Total assets	**76,228**	60,690
Liabilities		
Trade and other payables	**(19,136)**	(11,265)
Provisions	**(434)**	(694)
Tax liabilities	**(1,409)**	(239)
Total current liabilities	**(20,979)**	(12,198)
Employee benefits	**-**	(1,861)
Provisions	**(485)**	(462)
Total non-current liabilities	**(485)**	(2,323)
Total liabilities	**(21,464)**	(14,521)
Net assets	**54,764**	46,169
Equity attributable to the owners of the parent		
Issued share capital	**601**	597

Merger reserve	**1,449**	1,449
Other reserves	**5,683**	5,639
Retained earnings	**46,967**	38,484
	54,700	46,169
Non-controlling interests	**64**	-
Total equity	**54,764**	46,169

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

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2011

	2011 **£'000** **(unaudited)**	2010 £'000 (audited)
Operating activities		
Profit for the year	**9,591**	7,453
Adjustments for:		
Financial income	**(1,265)**	(1,937)
Financial expense	**1,234**	1,821
Income tax expense	**4,724**	3,846
Share based payments	**391**	312
Deferred bonus share scheme	**230**	-
Depreciation of property, plant and equipment	**1,833**	2,012
Amortisation of intangible assets	**936**	1,588
Operating cash flow before movements in working capital	**17,674**	15,095
(Increase)/decrease in inventories	**(6,396)**	847
Increase in trade and other receivables	**(3,662)**	(233)
Increase/(decrease) in trade and other payables	**7,807**	(452)
(Decrease)/increase in provisions	**(235)**	28
Pension contributions in excess of the income statement charge	**(489)**	(1,269)
Buy-out of US pension scheme	**(2,331)**	-
Cash generated from operations	**12,368**	14,016
Income taxes paid	**(1,744)**	(4,657)
Interest paid	**(30)**	(25)
Net cash from operating activities	**10,594**	9,334
Investing activities		
Acquisition of Subsidiary, Net of Cash Acquired	**(427)**	(2,074)
Interest received	**25**	23
Capital expenditure	**(2,512)**	(2,767)
Capitalised expenditure on development	**(1,637)**	(1,208)
Sale of tangible fixed assets	**32**	12
Net cash used in investing activities	**(4,519)**	(6,014)
Financing activities		
Dividends returned	**2**	6
Dividends paid	**(2,698)**	(2,228)
Net cash used in financing activities	**(2,696)**	(2,222)
Net increase in cash and cash equivalents	**3,379**	1,098
Cash and cash equivalents at beginning of the year	**10,359**	9,092
Effect of exchange rates on cash held	**(38)**	169
Cash and cash equivalents at end of year	**13,700**	10,359

Notes to the financial statements for the year ended 31 December 2011

Basis of preparation

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

During the year the Board deemed it was more appropriate to re-present the 2010 consolidated statement of financial position for the two UK pension schemes which were in surplus within non-current assets rather than netted off the US pension scheme which was in deficit.

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010. The financial information for 2010 is derived from the statutory accounts for 2010 which have been delivered to the registrar of companies. The auditors have reported on the 2010 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2011 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

Full financial statements for the year ended 31 December 2011, will be posted to shareholders on 21 March 2012, and delivered to the registrar after the Annual General Meeting on 18th April 2012.

1. Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products. They require different technology and marketing strategies. For each of the units the Group CEO reviews internal reports monthly. The following summary describes the operations in each of the Group's reportable segments.

The Group comprises the following business segments:

- Signals/Illumination which addresses the increasing demands for Energy Efficient Lighting solutions through the use of high brightness LEDs and utilisation of a number of associated technologies. Areas of business include Traffic Signals, Obstruction Lights and Solid State Lighting products.
- LED Indication Components businesses whose sales are primarily to Electronics OEMs for status indication; and
- Electromagnetic Components which supplies smart meter disconnect switches which are used by utility companies to manage remotely electrical supply to residential and business premises.

There is no inter-segment revenue.

All revenue relates to the sale of goods. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate costs including share-based payments and unallocated assets and liabilities comprise cash, borrowings, taxation and pension fund liabilities, where it has not been possible to allocate to a specific segment.

The Group does not rely on any single major customer.

1. Operating Segments continued

Reportable segments

2011	**Electro-magnetic Components**	**LED Indication Components**	**Signals/ Illumination**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	13,897	20,796	78,831	113,524
Contribution	2,383	11,570	34,543	48,496
Overhead costs	(2,516)	(7,013)	(20,718)	(30,247)
Segment results	(133)	4,557	13,825	18,249
Unallocated expenses				(3,194)
Non underlying expense				(67)
Operating profit				14,988
Net financing expense				(673)
Profit before tax				14,315
Income tax expense				(4,724)
Profit after tax				9,591

2010	Electro-magnetic Components	LED Indication Components	Signals/ Illumination	Total
	£'000	£'000	£'000	£'000
Revenue	14,645	23,450	61,088	99,183
Contribution	2,516	12406	25,753	40,675
Overhead costs	(2,443)	(6,809)	(17,079)	(26,331)
Segment results	73	5,597	8,674	14,344
Unallocated expenses				(3,161)
Operating profit				11,183
Net financing income				116
Profit before tax				11,299
Income tax expense				(3,846)
Profit after tax				7,453

Note: Contribution is revenue less direct materials, direct labour, freight and sales commission.

				2011
Other Information	**Electro-magnetic Components**	**LED Indication Components**	**Signals/ Illumination**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Capital Additions *	217	653	3,220	4,090
Depreciation and amortisation	(494)	(349)	(1,621)	(2,464)

				2010
Other Information	Electro magnetic Components	LED Indication Components	Signals/ Illumination	Total
	£'000	£'000	£'000	£'000
Capital Additions *	550	459	2,851	3,860
Depreciation and amortisation	(395)	(627)	(2,374)	(3,396)

*Capital Additions include property, plant and equipment, development costs, concessions, patents, licences and trademarks.

Not included above are central asset additions of £59,000 (2010: £115,000) and depreciation/amortisation of £33,000 (2010: £15,000) not allocated to a segment.

1. Operating Segments continued

Balance Sheet - Assets				**2011**
	Electro-magnetic Components £'000	**LED Indication Components £'000**	**Signals/ Illumination £'000**	**Total £'000**
Segment assets	6,713	7,509	46,932	61,154
Unallocated assets *				15,074
Consolidated total assets				76,228

Balance Sheet - Liabilities				**2011**
	Electro-magnetic Components £'000	**LED Indication Components £'000**	**Signals/ Illumination £'000**	**Total £'000**
Segment liabilities	(5,164)	(2,656)	(10,596)	(18,416)
Unallocated liabilities *				(3,048)
Consolidated total liabilities				(21,464)

Balance Sheet - Assets				2010
	Electro-magnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	Total £'000
Segment assets	10,795	8,379	30,011	49,185
Unallocated assets *				11,085
Consolidated total assets				60,270

Balance Sheet - Liabilities				2010
	Electro-magnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	Total £'000
Segment liabilities	(3,716)	(1,832)	(6,276)	(11,824)
Unallocated liabilities *				(2,277)
Consolidated total liabilities				(14,101)

*Unallocated assets and liabilities comprise cash, borrowings, taxation and pension fund liabilities where it has not been possible to allocate to a specific segment.

The Electromagnetic Components, LED Indication Components and Signals/Illumination segments are managed on a worldwide basis, but operate in three principal geographic areas, UK, Europe and North America. The following table provides 1) an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. 2) An analysis of total assets and non-current assets by location.

Analysis by geographical market

	2011 £'000	2010 £'000
North America	**77,454**	68,156
UK	**11,702**	10,138
Rest of Europe	**13,160**	11,161
Rest of the World	**11,208**	9,728
	113,524	99,183

1. Operating Segments continued

Continuing operations		**Total assets**		**Non-current assets**
	2011 £'000	2010 £'000	**2011 £'000**	* 2010 £'000
North America	**38,692**	31,588	**6,462**	5,125
UK	**22,930**	18,250	**6,035**	5,746
Rest of Europe	**13,090**	10,852	**7,911**	7,835
Rest of the World	**1,516**	-	**679**	-
	76,228	60,690	**21,087**	18,706

*2010 has been restated to exclude deferred tax as per the requirements of IFRS 8.

2. Non- Underlying Income / Expense

In the first half of 2011, the Group granted a lifetime licence to a third party for the use of a number of our patents. The income from this licence of £2.7m is included within non-underlying other operating income.

In the second half of 2011, the Group reached agreement to settle a longstanding dispute with a rail signalling customer for which an LED signal had been in development since 2007. This dispute was provided in full for £2.8m in the first half of 2011 and this amount was paid in full in January 2012.The provision is included within non-underlying administrative expenses and non-trade payables at 31st December 2011.

In the first half of 2011, the Group successfully bought out the US defined benefit pension scheme. The cash cost of securing these liabilities was £2.3m and as a result there is a one-off non-underlying financial expense of £0.7m which comprises £0.5m net settlement loss and £0.2m of fees and other incidental expenses..

3. Income tax expense

Recognised in the income statement

	2011	2010
	£'000	£'000
Current tax expense		
Current year	**3,540**	3,677
Adjustment for prior years	**(100)**	(2)
	3,440	3,675
Deferred tax expense		
Origination and reversal of temporary differences	**1,492**	326
Adjustment for prior years	**(208)**	(155)
Income tax expense	**4,724**	3,846

Reconciliation of effective tax rate

	2011	**2011**	2010	2010
	%	**£'000**	%	£'000
Profit from continuing operations		**9,591**		7,453
Total income tax expense		**4,724**		3,846
Profit excluding income tax		**14,315**		11,299
Income tax using the UK corporation tax rate of 26.5% (2010: 28%)	**26.5**	**3,793**	28.0	3,164
Effect of tax rates in foreign jurisdictions	**8.2**	**1,178**	8.3	943
Change in tax rate	**0.6**	**90**	0.6	65
Non-deductible expenses	**0.1**	**19**	0.5	60
Unrecognised losses carried forward	**0.5**	**68**	-	-
Losses now recognised	**-**	**-**	(2.0)	(229)
Over provision in prior years	**(2.1)**	**(308)**	(1.4)	(157)
Research and development credits	**(0.5)**	**(75)**	-	-
Other	**(0.3)**	**(41)**	-	-
	33.0	**4,724**	34.0	3,846

3. Income tax expense continued

Deferred tax recognised directly in equity	**2011**	2010
	£'000	£'000
Share based payments	**1,120**	473

4. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2011 was based on the profit for the year of £9,591,000 (2010: £7,453,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 31,672,355 (2010: 31,286,691).

Diluted earnings per share
The calculation of diluted earnings per share at 31 December 2011 was based on profit for the year of £9,591,000 (2010: £7,453,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 32,484,865 (2010: 32,081,365) calculated as follows: -

Weighted average number of ordinary shares (diluted)

	2011	2010
	Number '000	Number '000
Weighted average number of ordinary shares	**31,672**	31,287
Effect of share options on issue	**813**	794
Weighted average number of ordinary shares (diluted)	**32,485**	32,081

The weighted average number of shares used in the basic earnings per share calculation excludes 39,216 shares held by the Dialight Employees' Share Ownership Plan Trust.

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

	2011	2010
	Per share	Per share
Basic earnings	**30.3p**	23.8p
Non-underlying items	**(1.4)p**	-

Underlying earnings	**31.7p**	23.8p
Diluted earnings	**29.5p**	23.2p
Non-underlying items	**(1.4)p**	-
Underlying diluted earnings	**30.9p**	23.2p

5. Dividends

During the year the following dividends were paid:

	2011 **£'000**	2010 £'000
Final - 5.2p (2010 Second Interim: 4.3p) per ordinary share	**1,643**	1,343
Interim - 3.3p (2010: 2.8p) per ordinary share	**1,050**	885
Less: dividends on shares held in trust	**(10)**	-
	2,683	2,228
Final Dividend - 5.2p on shares award under the PSP not yet vested	**38**	-
Interim Dividend - 3.3p on shares award under the PSP not yet vested	**24**	-
Dividends accrued on shares awarded under the PSP but not yet vested	**38**	-
Dividends paid on shares awarded under the PSP vested during the period	**15**	-
Total (amount shown in the statement of changes in equity)	**2,798**	2,228

After the balance sheet date the following dividends were recommended by the Directors. The dividends have not been provided for and there are no corporation tax consequences.

	2011 **£'000**	2010 £'000
Final proposed dividend 6.7p per ordinary share (2010: Final 5.2p)	**2,131**	1,643

6. Post balance sheet events

On 9 January 2012, following a strategic review the Group announced that the Board decided to investigate the potential for selling the smart meter Electromagnetic Components business.

The Board has considered the requirements of IFRS 5 but as they were not committed to a programme to sell the business as at 31 December 2011, it was deemed not to meet the criteria and hence has not been classified as held for sale or presented as a discontinued operation. For information in 2011, the business contributed £10.7m of sales, contribution of £1.6m and net profit of £0.4m. Net assets are £1.0m.

-ENDS-

About Dialight

Dialight plc is leading the lighting revolution for industrial users across the world. Applying leading edge LED technology it produces retro-fittable lighting fixtures designed specifically for hazardous locations, obstruction lighting and traffic signalling to vastly reduce maintenance, save energy, improve safety and ease disposal.

Dialight comprises the following business segments:

- Signals/Illumination which addresses the increasing demands for Energy Efficient Lighting solutions through the use of high brightness LEDs and utilisation of a number of associated technologies. Areas of business include Traffic Signals, Obstruction Lights and Solid State Lighting products.

- LED Indication Components whose sales are primarily Electronic OEMs for status indication; and

- Electromagnetic Components which supplies smart meter disconnect switches which are used by utility companies to manage remotely electrical supply to residential and business premises.

The company is headquartered in the UK and listed on the London Stock Exchange (LSE:DIA.L,GB0033057794) with operating locations in the UK, USA, Germany, Denmark and Mexico. More information is available at http://www.dialight.com/.

Cautionary Statement

This announcement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Dialight plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipated', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Dialight plc believes that the expectations will prove to be correct. There are a number of factors, many of which are beyond the control of Dialight plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.