Unaudited Preliminary Results for the Year ended 31 December 2012

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Dialight plc

Unaudited Preliminary Results for the Year ended 31 December 2012

Dialight plc ('Dialight' or the 'Group'), the UK based leader in Solid State Lighting technology,

announces its unaudited preliminary results for the year ended 31 December 2012.

Highlights

- Underlying Profit before tax from continued operations increases 26.7% to £19.7m (2011: £15.5m)
- 2012 Lighting Revenues increase 72.7% to £45.5m (2011: £26.4m)
- Lighting Contribution Margin increased by 8.6 points to 44.3%
- Disposal of Utility switch business complete
- Year-end net cash of £15.0m (2011: £13.7m) with significant investment in Lighting
- EPS 41.4p on continuing operations excluding £0.7m profit on disposal of Utility Switch (2011: 31.3p)
- Final dividend of 9.5p giving a total dividend for the year of 13.5p up 35%(2011: 10.0p)

Roy Burton, Group Chief Executive, said:

"2012 has seen a further increase of Dialight's success in converting the Industrial Lighting Market to Solid State Lighting. This change offers significant energy and maintenance savings to our customer base thus laying the foundations for continued growth."

For further information:

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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 from continuing operations grew by 12.3% to £115.1m (2011: £102.5m) with Lighting segment revenue growth of 72.7% to £45.5m (2011: £26.4m). Group contribution margin has increased from 45.8% to 46.1% with contribution margins in the Lighting segment growing from 35.7% in 2011 to 44.3% in 2012. Operating leverage has resulted in additional operating profit in Lighting of £6.6m from £2.0m in 2011 to £8.6m in 2012. Profit before tax from continued operations has increased 26.7% to £19.7m (2011: £15.5m). Despite an increase in seasonal working capital requirement to support growth strong operating cash flow generation of £13.8m has resulted in year-end net cash of £15.0m (2011: £13.7m). Group EPS has risen 38.6% to 42.0p including a £0.7m profit before tax on disposal of the Utility Switch business (2011: 30.3p).

Included in the income statement is non-underlying profit of £0.5m after tax on the sale of the Utility switch business (proceeds from the sale of intellectual property of £3.1m) and losses from operations of the business of £0.4m net of tax (2011: £0.3m loss).

Dividend

In line with the Group's progressive dividend policy the Board is recommending, subject to approval by the shareholders, a final dividend of 9.5p giving a total dividend for the year of 13.5p (2011: 10.0p). This will be paid on 8th May 2013 to shareholders on the register at the 12th April 2013.

Business Review

Once again Lighting has demonstrated significant growth based on our strategy of targeting the hazardous and industrial lighting market. Improved performance in both Lighting efficacy and expected lifetime resulting from our extensive investment in the introduction of new products has made it easier for our customers to adopt our lighting products.

Dialight's Lighting sales force has more than doubled in 2012 and the deployment of these extra sales staff is a precursor to continued significant growth in the coming years.

2012 is just the fourth year of our participation in this business which is now significant enough to become a separate reportable segment and within that segment it is clear that not only have revenues increased but also profitability has now reached a par with our other reportable segments, with more improvement to come.

Lighting Segment

	2012	2011
Revenue	£45.5m	£26.4m
Segment profit	£8.6m	£2.0m

Since early 2009, when Dialight's first industrial light was introduced, the strategy has been to focus on sizeable niche markets with defensible barriers to entry. These deliver strong returns for customers through the application of the most current LED technology. Our focus has been to provide products which address the heavy industrial market and in particular those applications which demand the use of lighting which is rated for use in hazardous locations.

The value that Dialight's products bring to this market applies as well to the installed base of industrial lighting as it does to brand new installations giving an addressable market size in the tens of billions of pounds globally. Our sales of £45.5m are tiny in relation to the available market and, bearing in mind that Dialight is the pioneer of LED lighting for industrial applications, the opportunity for superior growth exists for years to come.

It is useful to understand why it is that this market is appropriate for our products and what value we bring to our potential customers. We address customers in Oil and Gas, Power Generation, Heavy Process Industry and Manufacturing, Food and Beverage, most of whom will have round the clock operations with lighting running 24x7 and no ability to easily shut down their processes. It is in these applications that our ability to save more than 50% of the energy bill and guarantee uninterrupted lighting for up to ten years drives rapid paybacks and significant return on investment.

These customers operate on a global basis and following our expansions into Australia, the Middle East and Japan in 2011, we established Dialight Asia based in Singapore to address the ASEAN market. Additionally we continued our programme of recruitment of sales personnel in the USA, Mexico, Eastern Europe, Western Europe, Russia and Australia to more than double the number of Dialight sales people throughout the world. A key part of our expansion has been the establishment of a Dialight office in Houston, Texas. A large proportion of all Oil and Gas projects are specified by major engineering companies based in Houston. These projects typically have a long gestation period and will provide long term business for Dialight.

Towards the end of 2012, we introduced a further extension to our Highbay range of products which will extend the applications which our LED lights can address. This new product produces over 25,000 lumens and allows us to replace up to 1000 watts of conventional lighting using only 250 watts. This is just the latest in a continuing flow of improved new products.

Since our Solid State Lights are based on semiconductor technology, they lend themselves to control and monitoring which cannot be achieved with conventional lighting. In June of 2012, Dialight purchased the assets of Airinet Inc., based in Pueblo Colorado for their teams' ability to develop unique controls for our industrial lights. Multiple features will be available with the Airinet product set which will significantly enhance the payback of our lighting systems with minimal extra cost. We expect first significant sales to be in 2013.

Signals Segment

	2012	2011
Revenue	£48.1m	£52.5m
Segment profit	£11.3m	£11.8m

Revenues reduced by 8% in the year driven by difficult conditions in the Traffic market. Obstruction signals were broadly flat due to the deferral of a major contract in the USA. Contribution Margins were held at last year's levels.

Traffic Signals

Sales into this market were down in both Europe and North America. The potential for growth in Europe remains due to low penetration of LED-based signals but current economic conditions are delaying significant adoption rates. Our relationships with key Traffic Systems OEMs throughout Europe remain strong and business with Siemens in both Germany and the UK is particularly important. Our sales to towns and cities throughout Europe are through these OEMs who supply a complete traffic system. One would expect that with the current low level of adoption we would see a return to growth as the economy improves or as capital for cost saving projects becomes available.

The North American market for LED Traffic Signals is now mature. The majority of the installed base of traffic signals has already been converted to LED technology. We are now beginning to replace the LED signals which were supplied over ten years ago. A major issue in funding this replacement is the fact that efficient signals are being replaced with even more efficient signals, saving perhaps a further 10 watts of power. Put simply, there is minimal saving produced by the new lights. In an effort to encourage this replacement, Dialight has introduced an integrated signal head which will give the cities a twenty year life for their new lights with only a single, simple power supply change, thus allowing our customers to use a twenty year life for their payback calculations.

Obstruction Signals

Dialight has pioneered the use of LED technology for aircraft warning lights on tall structures around the world. For the US market, these lights are regulated by the Federal Aviation Administration and Dialight has often been the only qualified source for an LED version of various of these lights. The benefits of LEDs in this application are obvious, being much more reliable than the more conventional light sources that have been used by other suppliers. The lights themselves can be put into roughly three categories; red beacons for wind turbines and painted structures; medium intensity white strobe lights for telecommunications towers between 200 and 500 feet and high intensity white strobes for broadcast towers of more than 500 feet.

The market for red beacons is the most mature and has been serviced by a number of suppliers for the past several years. The market for medium intensity white strobes has been the exclusive province of Dialight since 2007 with significant sales in 2010, 2011 and 2012. Channel to market is through value added resellers who have added extra features and functionality to our signals. The potential remaining market for this product in the US is still in excess of $200m so some competition was to be expected and in the latter part of the year one of our former resellers introduced a competing product to the market. This had the effect of delaying the award of a major contract from an operator of over 7000 towers which had previously been expected by Dialight. It is likely that this will be awarded in 2013 and Dialight is in a good position to be awarded a significant piece of this. More than 50% of this market rests with the top ten tower operators and Dialight is confident in its position with those operators. In order to safeguard our channel position, the Company has decided to take a more direct approach to its customers and has enhanced its offering to the market to give control and monitoring options to its customers using technology derived from its Airinet acquisition (which is discussed further in the Lighting Segment).

In late 2011, the Group introduced a high intensity strobe for very tall towers in the US market and during 2012 sold some 20 systems. The potential for this market is at least the same as that for the medium intensity product and the product is significantly more complicated. This product will largely be sold on a direct basis to the end users. It is expected that this product will extend the growth horizon to the Obstruction Signals product line.

Our European business supplies Obstruction Signals primarily for the Offshore Wind Turbine market. Several major German projects were deferred to 2013 but we were still able to show some minor growth in Europe and it is expected these projects will be shipped in the New Year.

Components Segment

	2012	2011
Revenue	£21.5m	£23.7m
Segment profit	£3.1m	£4.9m

Up until this year, we have reported two components segments; one being LED Indication Components the other being Electromagnetic Disconnects. During 2012 the part of Electromagnetic Disconnect which relates to Utility Switches was divested and so we will now report a combined Components Segment which is the combination of Indication and the remaining small portion of Electromagnetic Disconnect. This segment is cyclical and over time is not expected to grow. Much of the business is channeled through distributors and has a very diverse customer base. Margins are strong and stable and are expected to remain so. 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. 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.

Operations and Engineering

Once again our Engineering and Operations teams had a busy year. From the introduction of ground breaking new products to establishing manufacturing on a new continent, our technical staff were kept fully engaged all year.

Major new product introductions this year saw our first 100 lumen/watt products to hit the market - first in the industry. This has now become our standard and we are striving to further improve this efficiency in 2013 but significantly this improvement will not be as a result only of improved LED efficiency. Within any LED lighting system, losses occur due to optical, thermal and electronic inefficiencies. Dialight engineers and scientists work to optimise the performance of all three technologies to give the best possible performance, as they have done over the last four years. The efficiency of our lights has doubled since the introduction of our first SafeSite product. This improved efficiency translates directly into savings in electricity usage and therefore cost. In addition to electricity savings, reliability is vital to many of our customers.

In applications where access is difficult or dangerous, process shutdowns are expensive, reliable lighting is paramount. From the launch of our first lights, all of our products have carried a five year comprehensive warranty. Once again, an industry exclusive for Dialight is the announcement of a ten year warranty for our latest products, thus giving our customers an even longer period over which to calculate savings and return on investment, as well as enjoying maintenance free lighting. In addition to these technical improvements, our engineers have reduced our costs to give over 8% improvement in Lighting contribution margins. Ongoing redesign to reduce our costs as well as improve performance is the watchword for our engineers and we will continue this task in 2013.

In order to service the growth in our Lighting business, we have expanded production capacity in existing facilities, as well as opening a new facility in Penang, Malaysia. Our plan is that this new plant will be used for the duty free supply of Lighting products into most of the fast growing Asia Pacific region. Malaysia gives us not only a cost effective base, but also closeness to important geographies in the Oil and Gas markets.

Intellectual property is important to us and in the year we had 8 new patents granted. We filed 36 new applications and we had 115 patent applications pending at the year end.

Board Changes

During the year Harry Tee CBE announced his decision to step down from his position as Chairman of the Board and in September 2012 Bill Ronald former Senior Independent Director assumed the role of Chairman. In addition to the change of Chairman the Board has recently announced the appointment of two new Non-Executives, Tracey Graham who joins as Chair of the Remuneration Committee and Stephen Bird who joins the Board as Senior Independent Director.

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 2012 and have brought better savings in energy, less maintenance and improved safety to our customers. The key Lighting segment is positioned to drive the Group forward to achieve continued growth which will be more strongly fuelled by our continued developments and innovations in Lighting, as we enable the penetration of our solutions into the vast installed base of Industrial Lighting.

Current Trading and Outlook

2013 is expected to see continued strong growth in Lighting driven by expanded sales channels and new products. We see further enhancements to the value that our products bring to our customers as Dialight's technical teams capitalise 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.

25 February 2013

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

The Group's sales and profits may be impacted by spending slowdowns and/or increasing inflationary pressures. 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 Components segment. We closely monitor the general electronics demand index as well as industry forecast so as to become aware of market trends. In addition, monthly data provided by distributors in America is examined, documented and reviewed 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 conditions for public organisations to reduce and/or defer their capital spending budgets may impact on sales of some 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 segment.

Additionally, legislation may introduce new higher and more exacting specifications for existing products which will require product redesign and regulatory re-certification. Therefore changes in product specifications should favour Dialight in giving us an advantage over competition. 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.

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 America 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. Group policies and procedures are documented and communicated throughout the Group. 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. A new Governance and Risk Committee has been established to monitor compliance with existing policies and procedures and consider improvements and changes to these on an on-going basis.

Strategy for revenue growth -LED Lighting

The achievement of our goals is dependent on growing sales in our chosen markets for 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. Plans to improve the quality of the new product introduction systems across the businesses have 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. We have a well-developed stringent quality control system to help identify any defects before they are despatched to customers.

Financial markets

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.

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

The Group has a banking relationship with a number of banks. Currently the Group has not drawn down any borrowings against the existing facility with Barclays Bank plc. Regular contact will be kept with the banks to ensure that they understand the business and its requirements.

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.

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 Dollars and Euros and are therefore subject to translation to UK Sterling for incorporation into the Group's results. In addition, transactions are carried out by Group companies in currencies other than UK Sterling leading to transactional foreign exchange risk. Where possible the Group 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 successful implementation of the Group's acquisition strategy depends on its ability to identify targets, successful completion of the transaction, achievement of an acceptable rate of return and a successful and timely integration post-acquisition.

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.

By order of the Board
Nick Giles
Company Secretary
Exning Road
Newmarket
Suffolk
CB8 0AX
25 February 2013

Condensed consolidated income statement

For the period ended 31 December 2012

		12 months ended 31 December 2012 (unaudited)			12 months ended 31 December 2011 (audited)		
	Note	Underlying £'000	Non-Underlying (Note 4) £'000	Total £'000	Underlying* £'000	Non-Underlying* (Note 4) £'000	Total * £'000
Continuing operations							
Revenue	**1**	**115,130**	**-**	**115,130**	102,498	-	102,498
Cost of sales		(73,951)	-	(73,951)	(69,078)	-	(69,078)
Gross profit		41,179	-	41,179	33,420	-	33,420
Distribution costs		(12,488)	-	(12,488)	(9,084)	-	(9,084)
Administrative expenses		(9,114)	-	(9,114)	(8,824)	(2,808)	(11,632)
Other operating income		-	24	24	-	2,741	2,741
Profit / (Loss) from operating activities	**1**	**19,577**	**24**	**19,601**	15,512	(67)	15,445
Financial income	5	1,078	-	1,078	1,265	-	1,265
Financial expense	5	(968)	48	(920)	(1,234)	(704)	(1,938)
Net financing income/(expense)	5	110	48	158	31	(704)	(673)
Profit / (Loss) before income tax	**1**	**19,687**	**72**	**19,759**	15,543	(771)	14,772
Income tax expense	7	(6,442)	(22)	(6,464)	(5,177)	332	(4,845)
Profit / (Loss) from continuing operations after tax		**13,245**	**50**	**13,295**	10,366	(439)	9,927
Discontinued operations							
Gain / (Loss) from discontinued operations (net of taxes)	2	-	149	149	-	(336)	(336)
Profit / (Loss) for the year		**13,245**	**199**	**13,444**	10,366	(775)	9,591
Profit for the period attributable to:							
Equity owners of the Company				13,573			9,670
Non-controlling Interests				(129)			(79)
Profit for the year				13,444			9,591
Earnings per share							
Basic	7			42.0p			30.3p
Diluted	7			41.3p			29.5p
Earnings per share - continuing operations							
Basic	7			41.4p			31.3p
Diluted	7			40.7p			30.6p

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

* Reclassification - See note 1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012 £'000 (unaudited)	2011 £'000 (audited)
Other comprehensive Income		
Exchange difference on translation of foreign operations	**(1,697)**	74
Income tax on exchange differences on transactions of foreign operations	**264**	(26)
Actuarial losses on defined benefit pension schemes	**(2,413)**	(188)
Income tax on actuarial losses on defined benefit pension schemes	**555**	60
Other comprehensive income for the period, net of tax	**(3,291)**	(80)
Profit for the year	**13,444**	9,591
Total comprehensive income for the year	**10,153**	9,511
Attributable to:		
- Owners of the parent	10,279	9,586
- Non-controlling interest	(126)	(75)
Total comprehensive income for the year	**10,153**	9,511

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital £'000	Merger reserve £'000	Translation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total Equity £'000
Balance at 1 January 2012	601	1,449	3,451	2,232	46,967	**54,700**	**64**	**54,764**
Profit	-	-	-	-	13,573	**13,573**	(129)	**13,444**
Other comprehensive income:								
Foreign exchange translation differences, net of taxes	-	-	(1,436)	-	-	**(1,436)**	3	**(1,433)**
Actuarial losses on defined benefit pension plans, net of taxes	-	-	-	-	(1,858)	**(1,858)**	-	**(1,858)**
Total other comprehensive income	-	-	(1,436)	-	(1,858)	**(3,294)**	3	**(3,291)**
Total comprehensive income for the year	**-**	**-**	**(1,436)**	**-**	**11,715**	**10,279**	**(126)**	**10,153**
Transactions with owners, recorded directly in equity:								
Own shares issued	7	-	-	-	(7)	**-**	-	**-**
Share-based payments, net of tax	-	-	-	-	1,412	**1,412**	-	**1,412**
Deferred bonus share scheme	-	-	-	-	199	**199**	-	**199**
Dividends	-	-	-	-	(3,412)	**(3,412)**	-	**(3,412)**
Dividends on shares awarded under the PSP and deferred bonus share scheme	-	-	-	-	(150)	**(150)**	-	**(150)**
Unpaid dividends returned from shareholders	-	-	-	-	3	**3**	-	**3**
Total contributions by and distributions to owners	**7**	**-**	**-**	**-**	**(1,955)**	**(1,948)**	**-**	**(1,948)**
Change in ownership interests in subsidiaries:								
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	**-**	29	**29**
Balance at 31 December 2012	**608**	**1,449**	**2,015**	**2,232**	**56,727**	**63,031**	**(33)**	**62,998**
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:								
Issue of shares on acquisition	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**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	2012	2011

	£'000 (unaudited)	£'000 (audited)
Assets		
Property, plant and equipment	**10,849**	8,929
Intangible assets	**18,236**	12,158
Deferred tax assets	**1,631**	1,950
Employee Benefits	**-**	803
Total non-current assets	**30,716**	23,840
Inventories	**19,610**	15,842
Trade and other receivables	**26,987**	22,846
Cash and cash equivalents	**14,962**	13,700
Total current assets	**61,559**	52,388
Total assets	**92,275**	76,228
Liabilities		
Trade and other payables	**(22,417)**	(19,136)
Provisions	**(455)**	(434)
Contingent consideration	**(615)**	-
Tax liabilities	**(1,450)**	(1,409)
Total current liabilities	**(24,937)**	(20,979)
Employee benefits	**(1,238)**	-
Contingent consideration	**(2,668)**	-
Provisions	**(434)**	(485)
Total non-current liabilities	**(4,340)**	(485)
Total liabilities	**(29,277)**	(21,464)
Net assets	**62,998**	54,764
Equity attributable to the owners of the parent		
Issued share capital	**608**	601
Merger reserve	**1,449**	1,449
Other reserves	**4,247**	5,683
Retained earnings	**56,727**	46,967
	63,031	54,700
Non-controlling interests	**(33)**	64
Total equity	**62,998**	54,764

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

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2012

	2012 £'000 (unaudited)	2011 £'000 (audited)
Operating activities		
Profit for the year	**13,444**	9,591
Adjustments for:		
Financial income	**(1,078)**	(1,265)
Financial expense	**920**	1,234
Income tax expense	**6,335**	4,724
Share based payments	**457**	391
Deferred bonus share scheme	**199**	230
Depreciation of property, plant and equipment	**1,974**	1,833
Amortisation of intangible assets	**914**	936
Gain on sale of discontinued operation, net of tax	**(547)**	-
Operating cash flow before movements in working capital	**22,618**	17,674
Increase in inventories	**(7,474)**	(6,396)
Increase in trade and other receivables	**(4,905)**	(3,662)
Increase in trade and other payables	**3,927**	7,807
Increase/(decrease) in provisions	**7**	(235)
Pension contributions in excess of the income statement charge	**(385)**	(489)
Buy-out of US pension scheme	**-**	(2,331)
Cash generated from operations	**13,788**	12,368
Income taxes paid	**(4,287)**	(1,744)
Interest paid	**(35)**	(30)
Net cash from operating activities	**9,466**	10,594
Investing activities		
Acquisition of subsidiary, net of cash acquired	**(1,641)**	(427)
Minority Interest	**33**	-
Interest received	**13**	25
Disposal of discontinued operation, net of cash disposed	**4,290**	-
Capital expenditure	**(4,233)**	(2,512)
Capitalised expenditure on development	**(2,772)**	(1,637)
Sale of tangible fixed assets	**43**	32
Net cash used in investing activities	**(4,267)**	(4,519)
Financing activities		
Dividends returned	**3**	2
Dividends paid	**(3,430)**	(2,698)
Net cash used in financing activities	**(3,427)**	(2,696)
Net increase in cash and cash equivalents	**1,772**	3,379
Cash and cash equivalents at beginning of the year	**13,700**	10,359
Effect of exchange rates on cash held	**(510)**	(38)
Cash and cash equivalents at end of year	**14,962**	13,700

Notes to the financial statements for the year ended 31 December 2012

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.

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011. The financial information for 2011 is derived from the statutory accounts for 2011 which have been delivered to the registrar of companies. The auditors have reported on the 2011 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 2012 will befinalisedon 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 2012, will be posted to shareholders on 19th March 2013, and delivered to the registrar after the Annual General Meeting on 25th April 2013.

1. Operating Segments

Following the disposal of the major part of the Electromagnetic Component Segment. The Group now 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 CEO reviews internal monthly reports. The following summary describes the operations in each of the Group's reportable segments.

The Group comprises the following business segments:

- Lighting 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 are Solid State Lighting products for Hazardous and Non-Hazardous Industrial application.
- Signals which addresses the increasing demands for Energy Efficient signalling solutions through the use of high brightness LEDs and utilisation of a number of associated technologies. Areas of business include Traffic Signals, Obstruction Signals
- Components whose sales are primarily to Electronics OEMs for status indication and residual disconnect components for automotive and niche industrial application
- There is no inter-segment revenue.

2011 has been reclassified to take into account the new reportable segments.

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

There are no individual customers representing more than 10% of revenue.

1. Operating Segments continued

Reportable segments

2012	Lighting	Signals	Components	Continuing Operations Total	Electro-Magnetic Components (discontinued)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	45,538	48,136	21,456	115,130	14,555	129,685
Contribution	20,183	22,621	10,276	53,080	1,933	55,013
Overhead costs	(11,594)	(11,278)	(7,190)	(30,062)	(2,460)	(32,522)
Segment result	8,589	11,343	3,086	23,018	(527)	22,491
Unallocated expenses				(3,441)	-	(3,441)
Operating profit				19,577	(527)	19,050
Non-underlying operating profit				24	-	24
Net financing income				158	-	158
Profit on sale				-	725	725
Profit before tax				19,759	198	19,957
Income tax expense				(6,464)	(49)	(6,513)
Profit after tax				13,295	149	13,444

2011 - Reclassified	Lighting	Signals	Components	Continuing Operations Total	Electro-Magnetic Components (discontinued)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	26,375	52,456	23,667	102,498	11,026	113,524
Contribution	9,421	25,122	12,414	46,957	1,539	48,496
Overhead costs	(7,391)	(13,327)	(7,533)	(28,251)	(1,996)	(30,247)
Segment result	2,030	11,795	4,881	18,706	(457)	18,249
Unallocated expenses				(3,194)	-	(3,194)
Non-underlying expenses				(67)	-	(67)
Operating profit				15,445	(457)	14,988
Net financing expense				(673)	-	(673)
Profit before tax				14,772	(457)	14,315
Income tax expense				(4,845)	121	(4,724)
Profit after tax				9,927	(336)	9,591

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

2012 Other Information	**Electro-Magnetic Components (discontinued) £'000**	**Lighting £'000**	**Signals £'000**	**Components £'000**	**Total £'000**
Capital Additions*	**100**	**3,317**	**2,675**	**899**	**6,991**
Depreciation and amortization	**(129)**	**(1,063)**	**(822)**	**(486)**	**(2,500)**

2011 - Reclassified Other Information	Electro-Magnetic Components (discontinued) £'000	Lighting £'000	Signals £'000	Components £'000	Total £'000

Capital Additions*	217	1,910	1,310	653	4,090
Depreciation and amortization	(494)	(565)	(1,056)	(349)	(2,464)

* Capital additions include property, plant and equipment, development costs, concessions, patents, licenses and trademarks.

Not included above are central asset additions of £14,000 (2011: £59,000) and depreciation/amortisation of £35,000 (2011: £33,000) not allocated to a segment.

1. Operating Segments continued

2012 **Total financial position - assets**	**Electro-Magnetic Components (discontinued) £'000**	**Lighting £'000**	**Signals £'000**	**Components £'000**	**Total £'000**
Segment assets	**1,496**	**35,256**	**26,166**	**11,719**	**74,637**
Unallocated assets *					**17,638**
Consolidated assets					**92,275**

2012 **Total financial position - liabilities**	**Electro-Magnetic Components (discontinued) £'000**	**Lighting £'000**	**Signals £'000**	**Components £'000**	**Total £'000**
Segment liabilities	**(2,879)**	**(12,499)**	**(4,100)**	**(4,805)**	**(24,283)**
Unallocated liabilities *					**(4,994)**
Consolidated liabilities					**(29,277)**

2011 - Reclassified Total financial position - assets	Electro-Magnetic Components (discontinued) £'000	Lighting £'000	Signals £'000	Components £'000	Total £'000
Segment assets	6,713	18,851	28,081	7,509	61,154
Unallocated assets *					15,074
Consolidated assets					76,228

2011 - Reclassified Total financial position - liabilities	Electro-Magnetic Components (discontinued) £'000	Lighting £'000	Signals £'000	Components £'000	Total £'000
Segment liabilities	(5,164)	(3,716)	(6,880)	(2,656)	(18,416)
Unallocated liabilities *					(3,048)
Consolidated liabilities					(21,464)

*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, Components, Signals and Lighting 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.

Sales revenue by geographical market

	12 months ended 31 December 2012	12 months ended 31 December 2011
North America	**90,141**	77,454
UK	**11,694**	11,702
Rest of Europe	**12,872**	13,160
Rest of World	**14,978**	11,208
Electro-magnetic components (discontinued)	**(14,555)**	(11,026)
Consolidated Revenue	**115,130**	102,498

1. Operating Segments continued

Continuing operations	**Total assets**		**Non-current assets**	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
North America	**53,911**	38,692	**13,797**	6,462
UK	**22,376**	22,930	**6,373**	6,035
Rest of Europe	**10,624**	13,090	**7,800**	7,911
Rest of the World	**5,364**	1,516	**1,115**	679
	92,275	76,228	**29,085**	21,087

Reconciliations of reportable segment revenues, profit or loss

Revenues

	12 months ended 31 December 2012	12 months ended 31 December 2011
Total revenue by reportable segments	**129,685**	113,524
Electro-magnetic components (discontinued)	**(14,555)**	(11,026)
Consolidated Revenue	**115,130**	102,498

Reconciliations of reportable segment revenues, profit or loss continued

Profit or loss

	12 months ended 31 December 2012	12 months ended 31 December 2011
Total profit or loss for reportable segments	**22,491**	18,249
Elimination of discontinued operations	**527**	457

Unallocated amounts:		
Other corporate expenses	**(3,441)**	(3,194)
Non-underlying expenses	**-**	(67)
Non-underlying operating income	**24**	-
Net financing income/(expenses)	**158**	(673)
Consolidated profit from continuing activities before tax	**19,759**	14,772

2. Discontinued operations

From late 2011 a strategic review of the Electromagnetic Components Segment was conducted. As a result, the sale of patents and trademarks was concluded in late 2012. This segment has been presented as a Discontinued Operation in the Income Statement.

Results of discontinued operation

	12 months ended 31 December 2012	12 months ended 31 December 2011
Revenue	**14,555**	11,026
Expenses	**(15,082)**	(11,483)
Results from operating activities	**(527)**	(457)
Tax	**129**	121
Results from operating activities, net of tax	**(398)**	(336)
Gain on sale of discontinued operation	**725**	-
Tax on gain on sale of discontinued operation	**(178)**	-
Profit / (Loss) for the year	**149**	(336)
Basic earnings (loss) per share	**0.5p**	(1.0)p
Diluted earnings (loss) per share	**0.5p**	(1.1)p

2. Discontinued operations continued

The 2011 Income Statement has been reclassified to reanalyse the result of the discontinued operating segment.

The loss from discontinued operation of £527,000 (2011: loss of £457,000) is attributable entirely to the owners of the Company.

Cash flows from (used in) discontinued operation

	12 months ended 31 December 2012	12 months ended 31 December 2011
Net cash generated in operating activities	**1,166**	1,702
Net cash from investing activities	**4,290**	-
Net cash from financing activities	**-**	-
Net cash flows for the year	**5,456**	1,702

Effect of disposal on the financial position of the Group

	2012
Property, plant and equipment	(38)
Intangibles	(463)
Inventories	(3,064)
Net assets and liabilities	**(3,565)**
Consideration received, satisfied in cash	5,741
Cash paid for redundancy and staff costs	(952)
Cash paid for professional and other fees	(499)
Net cash inflow	**4,290**

3. Acquisition of Trade and Assets

On the 7 June 2012, Dialight plc's US subsidiary, Dialight Corporation acquired the assets of Airinet Inc, a lighting controls company, for upfront consideration of $2.6m with additional sums payable based on future revenue through to 2020 of up to $7.4m. Dialight assumed no liabilities on the acquisition and all employees transferred to Dialight Corporation on completion. All patent applications have transferred to Dialight ownership. The intangible assets including goodwill on acquisition are expected to be $7.7m.

Recognised amounts of identifiable assets acquired and liabilities assumed at fair value	**31 December 2012 £000 (Provisional)**
Intangible assets	702
Net assets acquired	702
Goodwill	4,218
Total Consideration	**4,920**
Satisfied by:	
Cash and cash equivalents	1,641
Contingent consideration	3,279
	4,920

Net cash outflow arising on acquisition

Cash consideration	1,641
	1,641

The goodwill of £4,218,000 arising from the acquisition represents the potential future benefit to the group of the development by the Airinet team of controls to be applied to the Group's Industrial LED lighting portfolio.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions existed at the acquisition accounting will be revised.

4. Non-Underlying Income / Expense

In the second half of 2012, the Group undertook a one-off contract to supply third party lighting for a commercial venture. The board deemed this not part of the Group's core business and have shown the profit made of £24,000 as Non-underlying operating Income.

In the second half of 2012, £189,000 which had previously been provided in respect of the US Pension scheme disposal was released. This has been shown as Non-underlying Income in the financing expense line where the provision was previously expensed.

Following the acquisition of Airinet Inc. in June 2012 the cost of unwinding the discount calculated on the contingent consideration between the date of acquisition and 31 December 2012 of £141,000 has been expensed as a non-underlying financial expense.

Prior year 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 £2.741,000 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 signaling 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.

5. Net financing income/(expense)

	12 months ended 31 December 2012			12 months ended 31 December 2011		
	Underlying	**Non-Underlying**	**Total**	Underlying	Non-Underlying	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Interest income on bank deposits	**13**	**-**	**13**	25	-	25
Net change in fair value of financial assets at fair value through profit or loss held for trading	**145**	**-**	**145**	-	-	-
Expected return on assets in the defined benefit pension schemes	**920**	**-**	**920**	1,240	-	1,240
	1,078	**-**	**1,078**	1,265	-	1,265
Interest expense on financial liabilities	**(35)**	**-**	**(35)**	(30)	-	(30)
Interest charge on pension scheme liabilities	**(933)**	**-**	**(933)**	(1,204)	-	(1,204)
Unwind of discount on contingent consideration	**-**	**(141)**	**(141)**	-	-	-
Non-underlying settlement loss on buy-out of US pension scheme	**-**	**189**	**189**	-	(704)	(704)
	(968)	**48**	**(920)**	(1,234)	(704)	(1,938)
Net financing income/(expense) recognised in consolidated income statement	**110**	**48**	**158**	31	(704)	(673)

6. Income tax expense

	2012	2011
	£'000	£'000
Current tax expense		
Tax expense from continuing operations	6,464	4,845
Tax from discontinued operations (excluding gain on sale)	(129)	(121)
	6,335	4,724
Tax on gain on sale of discontinued operation	178	-
Total tax expense	**6,513**	4,724

6. Income tax expense continued

Recognised in the income statement

	2012	2011
	£'000	£'000
Current tax expense		
Current year	**5,443**	3,540
Adjustment for prior years	**(91)**	(100)
	5,352	3,440
Deferred tax expense		
Origination and reversal of temporary differences	**1,068**	1,492
Adjustment for prior years	**93**	(208)
Income tax expense	**6,513**	4,724

Reconciliation of effective tax rate

	2012	**2012**	2011	2011
	%	**£'000**	%	£'000
Profit from continuing operations		**13,444**		9,591
Total income tax expense		**6,513**		4,724
Profit excluding income tax		**19,957**		14,315
Income tax using the UK corporation tax rate of 24.5% (2011: 26.5%)	**24.5**	**4,889**	26.5	3,793
Effect of tax rates in foreign jurisdictions	**10.2**	**2,035**	8.2	1,178
Change in deferred tax rate	**0.4**	**71**	0.6	90
Non-deductible expenses	**(0.7)**	**(148)**	0.1	19
Unrecognised losses carried forward	**-**	**-**	0.5	68
Losses now recognised	**(1.0)**	**(197)**	-	-
Over provision in prior years	**-**	**-**	(2.1)	(308)
Research and development credits	**(0.7)**	**(133)**	(0.5)	(75)
Other	**(0.1)**	**(4)**	(0.3)	(41)
	32.6	**6,513**	33.0	4,724

Deferred tax recognised directly in equity	**2012**	2011
	£'000	£'000
Share based payments	**955**	1,120

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit for the year of £13,444,000 (2011: £9,591,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 31,988,109 (2011: 31,672,355).

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2012 was based on profit for the year of £13,444,000 (2011: £9,591,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 32,534,704 (2011: 32,484,865) calculated as follows: -

Weighted average number of ordinary shares (diluted)

	2012 Number '000	2011 Number '000
Weighted average number of ordinary shares Basic earnings	**31,988**	31,672
Effect of share options on issue	**547**	813
Weighted average number of ordinary shares (diluted)	**32,535**	32,485

The weighted average number of shares used in the basic earnings per share calculation excludes 47,596 shares held by the Dialight Employees' Share Ownership Plan Trust.

7. Earnings per share continued

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.

	2012 Per share	2011 Per share
Basic earnings	**42.0p**	30.3p
Non-underlying items	**0.6p**	(1.4)p
Underlying earnings	**41.4p**	31.7p
Diluted earnings	**41.3p**	29.5p
Non-underlying items	**0.6p**	(1.4)p
Underlying diluted earnings	**40.7p**	30.9p

8. Dividends

During the year the following dividends were paid:

	2012 £'000	2011 £'000
Final - 6.7p (2011: 5.2p) per ordinary share	**2,131**	1,643
Interim - 4.0p (2011: 3.3p) per ordinary share	**1,286**	1,050
Less: dividends on shares held in trust	**(5)**	(10)
	3,412	2,683
Final Dividend - 6.7p on shares award under the PSP and deferred bonus share scheme not yet vested	**55**	38
Interim Dividend - 4.0p on shares award under the PSP and deferred bonus share scheme not yet vested	**19**	24
Dividends accrued on shares awarded under the PSP and deferred bonus scheme but not yet vested	**63**	38
Dividends paid on shares awarded under the PSP vested during the period	**13**	15
Total (amount shown in the statement of changes in equity)	**3,562**	2,798

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.

	2012 £'000	2012 £'000
9.5p per ordinary share (2011: Final 6.7p)	**3,054**	2,131

9. Principal exchange rates

	2012	2012
Average for the period		
Euro	**1.23**	1.15
US Dollar	**1.58**	1.61

	2012	2011
Spot rate		
Euro	**1.23**	1.20
US Dollar	**1.63**	1.55

-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 signals and traffic signalling to vastly reduce maintenance, save energy, improve safety and ease disposal.

Dialight comprises the following business segments:

- Lighting 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 are Solid State Lighting products for Hazardous and Non-Hazardous Industrial application.
- Signals which addresses the increasing demands for energy efficient Signalling solutions through the use of high brightness LEDs and utilisation of a number of associated technologies. Areas of business include Traffic Signals and Obstruction Signals
- Components whose sales are primarily to Electronics OEMs for status indication and residual disconnect components for automotive and niche industrial application

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, Australia, Singapore, Japan, Malaysia and Mexico. More information is available at 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.