XP Power

Annual Report & Financial Statements

for the year ended 31 December **2007**

XP Power Limited
Annual report and financial statements 2007
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XP Power Limited
Chairman's Statement

HIGHLIGHTS

- Gross margin improves by 5.1% to 42.2% (2006: 37.1%) resulting from an increased amount of XP Power intellectual property
- Own brand sales now represent 73% of revenues (2006: 66%)
- Improved competitive position due to move to Asia
- Transition of the Company to a manufacturer enables penetration of larger customers
- Dividend to be increased by 11% to 20p per share

Business Performance

XP's revenues declined from £78.7 million in 2006 to £66.3 million in 2007. This reduction of 16% is disappointing. The discontinued third party business accounted for 12% of the reduction and the weakness of the US Dollar reduced revenues on translation by 4%. Our ongoing business was flat for the year with growth in the first half being offset by a decline in the second half. We continue to believe that our new product pipeline will result in revenue growth once the current macro economic climate for capital equipment improves.

Adjusted earnings per share of 31.4 pence is down by 4% from 2006 (2006: 32.8 pence).

Strategy

In 2003 we set ourselves the goal of achieving gross margins in excess of 40% by 2007. This goal was achieved during the year. Further modest improvement is expected as we have now bought out our joint venture manufacturing partner in Kunshan, China. More of the Group's resources are now in Asia and the move of our headquarters to Singapore was completed in spring 2007.

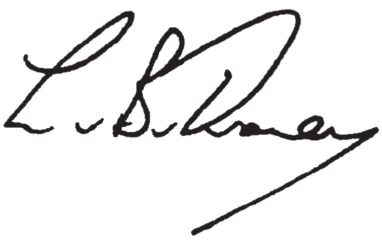
The change to producing our own I.P. products in our wholly owned manufacturing facility is attractive to our target customer base. This enhances the medium term revenue prospects for XP Power.

Dividend

Despite the reduction in earnings we are proposing a final dividend of 11 pence per share at the annual general meeting on 26 March 2008. The total dividend for 2007 of 20 pence represents an 11% increase on the 2006 payment (2006: 18 pence).

Outlook

Our customers produce capital equipment and any downturn in global demand for their products affects our potential revenue. We believe that our competitive position is strong and that should enable us to take market share and increase revenues when the economic climate improves.



Larry Tracey – Executive Chairman

XP Power Limited
Background to the Group and its Products and Markets

The Group

The Group provides power supply solutions to the electronics industry. Power supplies take the relatively high voltage alternating current output from the electricity supply and convert it into various lower voltage, stable direct current outputs that are required to drive electronic equipment. All electronic equipment requires some form of power supply.

The Market

The market is highly fragmented and made up of hundreds of thousands of customers and thousands of competitors. Our target geographic coverage for design-in is North America, Europe and Asia. We estimate that our available market is $2.6 billion.

Our Customers and Industry Segmentation

Our customers are Original Equipment Manufacturers (OEMs) who can be characterised as having expertise in their particular vertical market, whether it be medical devices, communications or industrial automation but who generally do not have in-house power supply expertise. XP provides this expertise and assists our customers to design-in a suitable power supply from our extensive range of products that meet the customer’s cost and technical requirements. Technical requirements often involve helping the customer meet the relevant equipment safety standards that operate in their particular industry such as Medical or Telecom standards as well as Electro Magnetic Compatibility (EMC).

We segment our customer base into the following industries:

- Communications;
- Defence and Avionics;
- Industrial; and
- Medical.

We have industry specialists who are versed in technical requirements and power supply legislation applicable to each of these different sectors. This way our people not only add genuine value to our customers during the design-in phase but can also use the knowledge they gain from these customers to develop new products to meet the future needs of the market.

XP Power Limited
Background to the Group and its Products and Markets

Products

The need for our customers to differentiate their product from that of their competitors gives rise to a vast number of power supply requirements to satisfy the endlessly increasing combinations of voltages at different power levels and different mechanical formats.

While many of our competitors address this market using custom or highly modified solutions XP addresses the market by offering standard and modified standard solutions only using custom solutions in exceptional circumstances. The products range from AC to DC power supplies, DC to DC converters necessary for battery powered and industrial applications, through to Power Protection Products.

Engineering Services

Equipment design involves meeting the relevant safety standards that apply to a particular industry as well as EMC legislation and thermal performance. Our customers may also require non standard output voltages or require the power supply in a format that makes it easier and therefore more cost effective to integrate into their equipment. This may involve incorporating several power supplies into one chassis, adding signals, special housings, thermal and EMC management and specific cable harnesses or connectors.

Our engineering services group has centres throughout Europe and North America. They offer EMC pre-compliance facilities, thermal management advice and general pre and post application support. They also offer next day delivery of customer specific AC-DC power solutions with full safety agency approvals from our range of configurable power supplies. For a fully integrated solution the use of 3D computer modelling allows us to quickly generate a proposal with no commitment from the customer.

Product Development

Our model is to design the power supply using one of our design engineering groups around the world and to manufacture the power supply in our Asian manufacturing facility. Our product range is supplemented by products from key third parties. Going forward we expect the mix of our business to be approximately 80% own product and 20% third party product.

We have design engineering teams in Europe, North America and Asia.

Manufacturing

All of our new product releases are manufactured in our factory in Kunshan, China. This low cost, high volume, ISO 9001 facility allows us to meet the price demands seen in the market whilst being able to manage the quality and component selection.

XP Power Limited
Background to the Group and its Products and Markets

Competition

Our competition ranges from numerous small custom manufacturers, mid-tier manufacturers and distributors of Asian manufacturers. Consolidation continues to occur in the industry as scale, time to market, shorter product life cycles, keeping pace with legislation and design costs make it harder for the small custom manufacturers to compete.

Our aim is to be the leading provider of power supplies in our target market, the mid-tier of the power supply industry.

Our Mission

To inspire our people to be The Experts in Power delivering genuine value to our customers.

XP Power Limited
Chief Executive's Review

The Chief Executive's Review is prepared solely to provide additional information to shareholders to assess the Company's strategy and the potential for that strategy to succeed, and should not be relied on by any other party or for any other purpose.

The Chief Executive's Review contains certain forward-looking statements and (a) these statements are made in good faith based on the information available up to the time of the approval of this report and (b) these statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Landmark Year

2007 has been a landmark year in the Group's history. On 24 April 2007 the Company completed its Scheme of Arrangement to move the domicile of the parent company to Singapore. We are rapidly becoming a much more Asian centric organisation. In parallel with this fundamental change we also announced the buy out of our manufacturing joint venture with Fortron Source. From 1 January 2008 XP became a "fully fledged" Asian manufacturer.

Since our London Stock Exchange Listing in 2000, XP has transformed itself from a specialist distributor to a successful designer, seller and now manufacturer of electronic power supplies. This strategy is enabling us to make inroads into much larger customers. We have also realised a steady and dramatic increase in our gross margins from 28.0% in 2000 to 42.2% in 2007 reflecting the resources we have deployed in product development to increase the proportion of revenues generated from our own intellectual property.

Our business model today has developed substantially since 2000 and we consider that we are excellently positioned for the time when greater confidence returns to our markets.

Asia

Asia is increasingly important to our industry and to our own internal operations. For some time we have seen a trend where our customers, who generally perform their product development and design work in Europe and North America, are increasingly manufacturing and selling their end products in Asia. It has been essential for us to put resource in place in Asia to support these customers technically and logistically. More companies, and in particular our larger customers, are now building product design teams in Asia. It is clear that Asia will no longer just be the place where electronic products are manufactured but also increasingly where they are designed and the intellectual property is created.

In conjunction with these changes we are observing that within our customers, our supply chain has become dominated by Asian manufacturers. The majority of the product we sell is manufactured in Asia and we have put in place various supply chain operations across Asia to support our manufacturing activities whether they be within our own facilities or outsourced. It is important that our purchasing people are in the same time zone and speak the same language as our component suppliers.

We also believe that our future competition will emerge from Asia rather than Europe or North America. In order to compete in this climate we will need to have the same low cost structure as these emerging companies and access to the plentiful and talented work force in Asia.

For the reasons set out above we concluded that we needed to not only build resource in Asia but locate our headquarters there so we could view the world from an Asian perspective to take advantage of the opportunities as they present themselves.

Asia is rapidly changing the shape of the world economy and we are determined to take advantage and be a part of this.

Manufacturing

At the end of 2005 we announced a 50:50 manufacturing joint venture in Kunshan, close to Shanghai in China, in association with Fortron Source, a leading power supply manufacturer. Fortron Source has been an excellent contract manufacturing partner of XP for many years and operates a number of power supply manufacturing facilities in China. Fortron Source is renowned in the industry for excellent quality and cost efficiency.

This manufacturing joint venture has been extremely beneficial to XP. By moving closer to the manufacturing end of the supply chain we have been able to transfer knowledge into our design centres to assist designing in components that are lower cost and/or easier to source in Asia. This has helped us drive down our product cost. More significantly the manufacturing joint venture has enabled us to target a whole new group of customers who will only do business directly with a manufacturer. As we engaged with this new group of customers it became clear that the quality standards they demand from their suppliers require us to have complete control of the manufacturing facilities and processes. For this reason we needed to become a "fully fledged" manufacturer. Consequently, in November 2007 we announced an agreement to buy out the joint venture for US$2.5 million (approximately £1.2 million) in cash and take complete control from 1 January 2008.

We expect that our new product families will be manufactured in our Kunshan facility.

Product Strategy

In April 2006 we made a decision to discontinue selling a number of third party product lines in order to focus on our own product lines. These lines were generally low margin and contributed little compared to the resource they consumed. We stopped taking orders for these third party product lines from 1 July 2006. Later in 2006 two other third party lines decided to terminate their relationship with XP as a result of our product strategy. Our 2006 revenues included approximately £9.0 million from the discontinued product lines, which is approximately £12.0 million on an annualised basis. Despite the resultant decline in revenue in 2007 we believe it was the right approach as it has allowed us to increase our emphasis on our larger target customers.

Approximately a quarter of our revenues are still generated from selling third party lines. The remaining partnerships are important to our success as they allow us to meet our customers' needs in areas where we do not have suitable product of our own. We share product roadmaps with these partners to avoid conflict between our respective product lines.

XP Power Limited
Chief Executive's Review

Financial Performance

Our financial performance has been impacted by three main factors during 2007:

- The deliberate termination of certain third party lines during 2006 which is discussed above;
- Softer end markets in North America and the UK in the second half of 2007; and
- The marked weakening of the US Dollar versus Sterling resulting in significant translational effects when converting our US Dollar revenues and earnings to Sterling for reporting purposes.

The average exchange rate used to translate our US Dollar earnings in 2007 was approximately 2.00 US Dollars to Sterling compared with approximately 1.83 in 2006. If the average rate of 1.83 experienced in 2006 had continued in 2007 we would have reported additional revenues of £3.3 million in the year to 31 December 2007.

Overall revenues decreased by 15.8% to £66.3 million (2006: £78.7 million). As set out above, £9.0 million of this decrease can be attributed to termination of the third party lines and £3.3 million to the translation effect of the weaker US Dollar. Of the product shipped in 2007, 73% was our own XP brand, up from 66% in the same period a year ago. This helped drive a significant increase in gross margin to 42.2% (2006: 37.1%). This is our eighth successive year of gross margin improvement and justifies our strategy.

The Group made a profit before tax of £5.0 million compared to a profit before tax of £8.0 million in the prior year. The profit before tax includes a charge of £0.3 million (2006: £0.3 million) for the amortisation of intangibles resulting from the acquisition of Powersolve Electronics Limited (Powersolve) and £2.4 million of charges relating to the Scheme of Arrangement and costs associated with the move to Singapore (2006: £1.0 million relating to the termination of third party lines as discussed above). After adding back these items the adjusted profit before tax was therefore £7.7 million in 2007 compared with £9.3 million in 2006. The basic earnings per share for the year ended 31 December 2007 was 17.9p (2006: 27.9p). The diluted earnings per share for the year ended 31 December 2007 was 17.8p (2006: 27.5 p). After adjusting for the charges relating to the Scheme of Arrangement and costs associated with the move to Singapore and the amortisation of intangibles associated with acquisitions, the diluted earnings per share was 31.4 pence (2006: 32.8 pence). The 2006 earnings per share have been adjusted by £0.8 million, or 4.2 pence per share, relating to dividends paid to minority shareholders in 2006.

Continued strong margins allowed us to generate free cash flow of £5.9 million during 2007 (2006: £3.4 million). After returning £3.6 million to shareholders in the form of dividends, net debt (cash of £3.6 million less borrowings of £23.0 million) at 31 December 2007 was £19.4 million compared with £17.8 million at 31 December 2006. Free cash flow is defined as net cash flow from operating activities plus dividends from associates; less net purchases of property, plant and equipment; less capitalised development costs; plus exceptional charges; less interest paid.

XP Power Limited
Chief Executive's Review

Customers and Industry Segmentation

We target customers in the communications, defence and avionics, industrial and medical end user markets. We have senior strategic teams driving these sectors in both North America and Europe. These teams identify the customers with whom we consider we should be working in each of these sectors, support the sales people to penetrate these accounts and work with the product development organisation to specify future product requirements.

This structure has served us well and should help to drive future revenue growth. As our business grows in terms of scale and breadth of product offering, we are increasingly able to add value to the larger customers in the market sectors we serve. Accordingly, we will be focusing more resource on winning programmes with larger customers.

Markets

As reported in our interim statement for the six months to 30 June 2007 and reiterated in our trading update issued at the end of October 2007 the markets we serve have been soft in the second half of 2007 particularly in the UK and North America. As noted above, this was exacerbated by the weakening of the US Dollar. Although our program design-in base and program identification remains good it is difficult to predict what our customers' demand is likely to be in 2008 given the widely reported macro economic concerns in North America. Despite the current economic uncertainty we have not, as yet, seen any change in pricing pressure in the market. We do see increased pressure on input costs due to the gradual increase in the strength of the Chinese currency which is expected to continue plus labour cost increases in China but these should be offset by improvements in component costing on our new products.

Product Development

Offering our target customers industry leading products is a key component of XP's strategy, therefore product development is vital to the long-term success of our business. We continue to commit more resource to this area in line with our strategy of expanding our own brand product portfolio. We plan to open a new design centre in Singapore during 2008.

We expect to release a number of important products to the market during 2008.

Duncan Penny – Chief Executive

XP Power Limited
Financial Review

Key Performance Indicator

	2007	2006	2005	Target
Own brand revenue (£ millions)(1)	**48.4**	51.9	41.0	(1)
Proportion of own brand revenue (2)	**73%**	66%	59%	75%
Gross margin (3)	**42.2%**	37.1%	35.7%	40.0%
Adjusted earnings per share (4)	**31.4 p**	32.8 p	30.6 p	(4)
Free cash flow (£ millions) (5)	**5.9**	3.4	5.3	(5)

(1) Own brand revenue = revenue derived from sale of XP products

The Group does not have an absolute long term target for this metric. However, the Group targets to grow this metric by 20% per annum. Revenue has been significantly affected by the translation effect from the weakening US Dollar in 2007 together with weaker end markets.

(2) Proportion of own brand revenue = revenue from sale of XP products as a percentage of total revenue

Revenue per the consolidated income statement in the financial statements.

The target was set in 2002 to achieve 75% by the end of 2007.

(3) Gross margin = Gross profit as a percentage of revenue

Gross profit and revenue both per the consolidated income statement in the financial statements.

The target was set in 2002 to achieve 40% by the end of 2007.

(4) Adjusted earnings per share = earnings per share adjusted for amortisation of intangibles associated with acquisitions, exceptional charges or profits, and diluted for the effect of the outstanding share options

Diluted earnings per share is per the consolidated financial statements.

Adjustments to the earnings per share are set out in note 11.

There is no absolute long term target set for this metric but the Group targets to grow this metric by 20% per annum. The compound growth rate for this metric over the last four years has been 26%.

(5) Free cash flow = Net cash flow from operating activities plus dividends from associates; less net purchases of property, plant and equipment; less capitalised development costs; plus exceptional charges; less interest paid.

All figures are derived from the consolidated cash flow statement as set out in the consolidated financial statements.

There is no long term target set for this metric but the Group considers it is important that the business model produces positive free cash flow.

We met our internal targets for only two of our five performance indicators as set out above. Each of our financial objectives is discussed in the Chief Executive's Review. Whilst other performance measures are discussed in this Annual Report, it is the above five measures that the directors use as the Group's key performance indicators.

Risks Specific to the Industry in which the Group Operates

Fluctuations in foreign currency

The Group deals in many currencies for both its purchases and sales. In particular, North America represents an important geographic market for the Group where virtually all the revenues are denominated in US Dollars. The Group therefore has an exposure to foreign currency fluctuations, most notably the US Dollar. This could lead to material adverse movements in reported earnings.

Competition

The power supply market is diverse and competitive in Europe, North America and Asia. The Directors believe that the development of new technologies could give rise to significant new competition to the Group, which may have a material effect on its business. At the lower end of the Group's target market the barriers to entry are low and there is, therefore, a risk that competition could quickly increase.

Risks Specific to the Group

Dependence on key personnel

The future success of the Group is substantially dependent on the continued services and continuing contributions of its Directors, senior management and other key personnel. The loss of the services of any of their respective executive officers or other key employees could have a material adverse effect on their businesses.

XP Power Limited
Financial Review

Loss of key customers/suppliers

The Group is dependent on retaining its key customers and suppliers. Should the Group lose a number of its key customers or a key supplier this could have a material impact on the Group's business financial condition and results of operations. However, for the year ended 31 December 2007, no one customer accounted for more than 5% of revenue.

Shortage, non-availability or technical fault with regard to key electronic components

The Group is reliant on the supply, availability and reliability of key electronic components. If there is a shortage, non availability or technical fault with any of the key electronic components this may impair the Group's ability to operate its business efficiently and lead to potential disruption to its operations and revenues.

Fluctuations of revenues, expenses and operating results

The revenues, expenses and operating results of the Group could vary significantly from period to period as a result of a variety of factors, some of which are outside its control. These factors include general economic conditions, adverse movements in interest rates, conditions specific to the market, seasonal trends in revenues, capital expenditure and other costs, the introduction of new products or services by the Group, or by their competitors. In response to a changing competitive environment, the Group may elect from time to time to make certain pricing, service, marketing decisions or acquisitions that could have a material adverse effect on the Group's revenues, results of operations and financial condition.

Management stretch

The management team is likely to be faced with increased challenges associated with running a manufacturing facility following the buyout of its manufacturing joint venture with effect from 1 January 2008. Issues associated with manufacturing could adversely affect the Group if the management team is not able successfully to cope with these new challenges.

Information Technology Systems

The business of the Group relies to a significant extent on IT systems used in the daily operations of its operating subsidiaries. Any failure or impairment of those systems or any inability to transfer data onto any new systems introduced could cause a loss of business and/or damage to the reputation of the Group together with significant remedial costs.

Risks relating to taxation of the Group

The Group is exposed to corporation tax payable in many jurisdictions including the USA where the effective rate can be as high as 40.0%, the UK where the corporation tax rate is 30.0% and a number of European jurisdictions where the rates vary between 25.5% and 38.7%. In addition, the Group has manufacturing activities in Hong Kong where the corporation tax rate is 17.5% and sales companies in Singapore and Switzerland where the corporation tax rates are 18.0% and 20.0% respectively.

The effective tax rate of the Group is affected by where its profits fall geographically. The Group effective tax rate could therefore fluctuate over time. This could have an impact on earnings and potentially its share price.

Further, the Group's tax position includes judgments about past and future events and relies on estimates and assumptions. Although we believe that the estimates and assumptions supporting our positions are reasonable and are supported by external advice, our ultimate liability in connection with these matters will depend upon the assessments raised and the result of any negotiations with the relevant tax authorities. If the actual taxes and penalties imposed exceed the amounts we have accrued, it could adversely affect our financial position, results and cash flows.

Cash Flow

Our operating profit allowed us to generate free cash flow of £5.9 million during 2007 (2006: £3.4 million) and we returned £3.6 million (2006: £3.2 million) to shareholders in the form of dividends.

Income and Expenditure Account

Revenues decreased 15.8% to £66.3 million from £78.7 million in 2006. The decrease in revenue can be attributed to the deliberate termination of third party lines in 2006 (£9.0 million) and the further weakening of the US Dollar versus Sterling. During 2007 the US Dollar to Sterling exchange rate decreased from 1.83 US Dollars to Sterling in 2006 to 2.00 US Dollars to Sterling in 2007 resulting in a £3.3 million reduction in US Dollar sales when translated to Sterling.

Gross margins increased over five percent points to 42.2% in 2007 from 37.1% in 2006 due to a greater proportion of own brand sales. Own brand product revenues were £48.4 million or 73.0% of total revenue in 2007 versus £51.9 million or 65.9% of total revenue in 2006.

Operating expenses were £19.0 million in the year before restructuring costs of £2.4 million as compared with £19.0 million in 2006. In accordance with the requirements of IAS 38, during 2007 £1.0 million of product development expenditure was capitalised (2006: £0.9 million) and £0.1 million was amortised (2006: £0.2). Gross expenditure on product development was £2.7 million, or 4.1% of revenue, compared to £2.6 million, or 3.3% of revenue, in 2006.

Financial Control and Reporting

One of the many challenges when combining and acquiring companies is providing accurate, relevant, and timely financial reporting both externally to the market and our shareholders and internally to manage the business. We consider that we have efficient processes and systems in place to allow us to monitor the business on a continual basis by the review of monthly accounts at monthly management meetings, and ensure that we provide timely information to our shareholders.

Derivatives and Other Financial Instruments

The Group's financial instruments consist of cash, money market deposits, overdrafts, and various other items such as trade receivables and trade payables that arise directly from its business operations.

XP Power Limited
Financial Review

Due to the rapid weakening of the US Dollar versus Sterling and the Euro, in December 2006 the Group took the decision to hedge its expected US Dollar short position in Europe for all of 2007 of approximately $17.6 million via forward currency exchange contracts. As of the end of 2007, the Group has a total notional principal amount of outstanding forward foreign exchange contracts of £0.9 million.

Financing Costs

In September 2007 the Group renewed its annual working capital facility and increased the limit to £10.0 million from £4.0 million. In December 2007 the Group converted the outstanding £16.0 million committed term loan to US$31.9 million, in order to reduce its borrowing costs. The term loan is repayable over 4 years with US$4.99 million due in 2009, US$4.99 million due in 2010 and the balance of US$21.96 million due in 2011. The £5.0 million multicurrency revolving credit facility remains unchanged. All of these facilities are with Halifax Bank of Scotland and are priced at LIBOR plus a margin linked to certain covenants, which ranges from 1.0% to 1.5%.

As set out in note 25, the Group entered into an Interest Rate Swap on 6 February 2008 to fix the interest payable on its US$31.9 million term loan.

Dividends

Our dividend policy is to pay dividends to our shareholders when legally and commercially able to do so. This year's increased free cash flow has enabled us to increase the 2007 dividend (including final proposed) by 11.1% to 20p per share.

Substantial Interests

Other than the directors' interests (see Directors' Remuneration Report), at 31 December 2007 the Company was aware of the following interests in three per cent or more of the issued ordinary share capital of the Company:

	Number of shares	%
Aberdeen Asset Managers	2,182,489	11.34
Lion Trust Asset Management	1,415,233	7.35
Credit Suisse Asset Management	772,038	4.01
Brewin Dolphin	591,088	3.07

J. Mickey Lynch – Finance Director

XP Power Limited
The Board of Directors

Larry Tracey – Executive Chairman (age 60)

Larry co-founded Powerline plc ("Powerline") in 1979, where he focused on the strategic direction of the business. In March 1984, he was responsible for the flotation of Powerline on the Unlisted Securities Market of the London Stock Exchange and earnings grew 220 per cent in its three years as a quoted company. Larry headed Powerline's expansion into Germany and the US. Powerline was acquired by Chloride plc in September 1987.

In May 1990, Larry joined the Board of XP as an Executive Director. In April 2000, he was appointed as Chief Executive Officer of the Group, and in April 2002 he was appointed as Executive Chairman. On 3 February 2003 he stepped down from the role of Chief Executive and continued in the role of Executive Chairman.

James Peters – Deputy Chairman (age 49)

James has over 25 years experience in the power supply industry and trained with Marconi Space and Defence Systems, prior to joining Coutant Lambda, one of the UK's major power supply companies, as an internal sales engineer. He joined Powerline shortly after its formation in 1980 and was involved in all aspects of the business.

In November 1988, he founded XP. In April 2000, he was appointed as European Managing Director of the Group and was responsible for the overall management of the Group's European businesses. On 3 February 2003, James was appointed as Deputy Chairman.

Duncan Penny – Chief Executive (age 45)

Between October 1998 and March 2000, Duncan was the controller for the European, Middle Eastern and African regions for Dell Computer Corporation, prior to which he spent eight years working for LSI Logic Corporation where he held senior financial positions in both Europe and Silicon Valley. From 1985 to 1990, Duncan spent five years at Coopers & Lybrand in general practice and corporate finance.

He joined XP in April 2000 as Group Finance Director. On 3 February 2003, he was appointed as Chief Executive.

Mike Laver – President North America (age 45)

Mike has 19 years experience in the power supply industry. After completing his degree in Electrical Engineering at UC Santa Barbara, Mike held sales and technical positions with Power Systems Distributors, Compumech and Delta Lu Research. He joined ForeSight Electronics in 1991 and carried out various senior roles.

Mike is currently responsible for the US sales and value added engineering organisations. He joined the Board on 20 August 2002.

XP Power Limited
The Board of Directors

Mickey Lynch – Finance Director (age 55)

Mickey joined the Group in April 2001 as Vice President of Finance for XP's North America operations and since February 2003 he has headed the finance team for the Group.

Prior to joining XP, Mickey spent 10 years at Atari Games Corporation the last five of which were in the role of Chief Financial Officer. Prior to that, he spent 12 years with ITT Corporation, holding various financial controllership roles. In June 2004 he was appointed Finance Director.

Andy Sng – General Manager, Asia (age 38)

Andy joined the Group in July 2005 as General Manager for Asia to start and head up our Shanghai operations. He joined the Board in April 2007.

Prior to joining XP, Andy has worked in the power supply industry for eight years in various technical and commercial roles with companies such as Silicon Systems (Singapore) and Advanced Micro Devices (Singapore).

John Dyson – Senior Non-Executive Director (age 59)

John was appointed Chief Executive of Pace Micro Technology plc in May 2003, prior to which he had been Finance Director since November 1997. John retired from Pace Micro Technology plc during 2006 and has co-founded a new business called Telehealth Solutions Ltd which has developed communications technology to remotely monitor medical devices. Before Pace, he held senior positions in both Silicon Valley and Europe for LSI Logic Corporation from June 1990 to November 1997. From September 1988 to June 1990 John was co-founder and Managing Director of Modacom Limited, prior to which he was Finance Director of Norbain Electronics plc (1986 -1988) and Case Group plc from 1977 to 1986.

He joined the Board of XP in June 2000. He is the senior non-executive director and chairman of the Audit and Remuneration Committees.

Michael Hafferty – Non-Executive Director (age 59)

On 24 April 2007 Michael Hafferty was appointed as a non-executive director of XP. Michael has been the founder and CEO of several technology companies, including Tricom, Vegastream and Arkstream. He was a director of Case Communications plc and played a significant role in its IPO on the London Stock Exchange and as its Sales and Marketing Director built a worldwide sales and services organisation. Michael is the founder of the consulting company Arkbridge Pte Limited based in Singapore and as a result of that position was appointed Vice President, Asia Pac for the international software company iTRACS Corporation.

XP Power Limited
Directors' Report
For the financial year ended 31 December 2007

The Directors present their annual report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007.

Directors

The directors of the Company in office at the date of this report are as follows:

Larry Tracey (appointed on 24 April 2007)

James Peters (appointed on 24 April 2007)

Duncan Penny (appointed on 24 April 2007)

Mickey Lynch (appointed on 12 February 2007)

Michael Laver (appointed on 12 February 2007)

Andy Sng (appointed on 12 February 2007)

John Dyson (appointed on 24 April 2007)

Michael Hafferty (appointed on 24 April 2007)

Prior to the Company's Scheme of Arrangement becoming effective on 24 April 2007, Larry Tracey, James Peters, Duncan Penny, Mickey Lynch, Michael Laver and John Dyson were on the Board of XP Power plc. On 24 April 2007, the Board of Directors of XP Power Limited appointed Larry Tracey, James Peters and Duncan Penny as Executive Directors and John Dyson together with Michael Hafferty as the Non-Executive Directors.

In accordance with the Company's Articles of Association Larry Tracey, James Peters, Duncan Penny, Mickey Lynch, Michael Laver, Andy Sng, John Dyson, and Michael Hafferty retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed in the Director's Remuneration Report on pages 23 to 28 of this report.

Directors' Interests in Shares or Share Options

The interests of the Directors in the shares of XP Power Limited are set out in the Directors' Remuneration Report.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

XP Power Limited
Directors' Report
For the financial year ended 31 December 2007

Dividends

An interim dividend of 9.0p per share was paid on 3 October 2007 (2006: 8p). We are proposing a final dividend of 11.0p per share (2006: 10.0p) which would be payable to members on the register on 28 March 2008 and will be paid on 4 April 2008. This would make the total dividend for the year 20.0p (2006: 18.0p).

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:
John Dyson (Chairman)
Michael Hafferty
All members of the Audit Committee were non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- The audit plan of the Company's independent auditor and its report on the weakness of internal accounting controls arising from the statutory audit;

- The assistance given by the Company's management to the independent auditor; and

- The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2007 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re-appointment.

On behalf of the directors

Larry Tracey	Duncan Penny
Executive Chairman	Chief Executive

3 March 2008

XP Power Limited
Corporate Governance Report
For the financial year ended 31 December 2007

Under the Singapore Companies Act, Chapter 50, the Company is not required to follow the Singapore Corporate Governance Code. The Company has voluntarily agreed to the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority.

Statement of Compliance with the Code of Best Practice

Throughout the year ended 31 December 2007 the Company has been in compliance with the Code provisions set out in Section 1 of the July 2003 FRC Combined Code on Corporate Governance except for the following matters:

- Larry Tracey and James Peters, Executive Directors, are members of the Remuneration Committee and the Nominations Committee, in contravention with A4.1 and B2.1 of the Combined Code. They are the two main shareholders and consider that any decisions they make will be aligned to the interests of the shareholders.

- There has been no formal evaluation of the performance of the Board, its Committees and the Directors during the year, as required by the Combined Code (A6.1)

Notwithstanding the above departures from the Combined Code, the directors consider that the current structure and function of the Board is appropriate for the present size and composition of the Group.

The Board is responsible for the proper management of the Group and for its system of corporate governance. It receives information on at least a monthly basis to enable it to review trading performance, forecasts and strategy. The following matters are specifically reserved for its decision:

- changes to the structure, size and composition of the Board
- consideration of the independence of Non-Executive Directors
- review of management structure and senior management responsibilities
- with the assistance of the Remuneration Committee, approval of remuneration policies across the Group
- approval of strategic plans, profit plans and budgets and any material changes to them
- oversight of the Group's operations, ensuring competent and prudent management, sound planning, an adequate system of internal control and adequate accounting and other records
- final approval of annual accounts and accounting policies
- approval of the dividend policy
- approval of the acquisition or disposal of subsidiaries and major investments and capital projects
- delegation of the Board's powers and authorities including the division of responsibilities between the Chairman, Chief Executive and the other Executive Directors.

XP Power Limited
Corporate Governance Report
For the financial year ended 31 December 2007

The Board acknowledges that it is responsible for the Group's internal control and for reviewing its effectiveness.

The Group's internal controls are designed to manage rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable not absolute assurance against material misstatement or loss.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place during the entire financial year and has remained in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the board and Audit Committee and in accordance with the Internal Control guidance for directors on the Combined Code produced by the Turnbull working party.

The Board keeps its risk control procedures under constant review and deals with areas of improvement which come to its attention.

As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the executive directors supported by managers within the Group companies.

The Board has considered the need for an internal audit function, but has decided that, because of the size of the Group and the systems and controls in place, it is not appropriate at present. The Board reviews this on a regular basis.

Board Meetings

There were 12 Board Meetings during the year, 6 before the Scheme of Arrangement for XP Power plc and 6 after for XP Power Limited. The attendees were as follows:

Date	Roger Bartlett	Paul Dolan	John Dyson	Michael Hafferty	Mike Laver	Mickey Lynch	Duncan Penny	James Peters	Andy Sng	Larry Tracey
12 February 2007	1	1	1	-	1	1	1	1	-	1
20 February 2007	1	1	1	-	1	1	1	1	-	1
21 March 2007	1	1	1	-	1	1	1	1	-	-
26 March 2007	-	-	-	-	1	1	1	-	-	1
13 April 2007	-	-	1	-	-	-	1	1	-	1
18 April 2007	-	1	1	-	-	1	1	1	-	1
XP Power plc	**3**	**4**	**5**	**0**	**4**	**5**	**6**	**5**	**-**	**5**
24 April 2007	-	-	1	1	1	1	1	1	1	1
26 June 2007	-	-	-	1	1	1	1	-	1	1
6 August 2007	-	-	1	1	1	1	1	1	1	1
29 October 2007	-	-	-	-	1	1	1	1	-	1
14 November 2007	-	-	1	1	1	1	1	1	1	1
18 December 2007	-	-	-	1	1	1	1	-	1	-
XP Power Limited			**3**	**5**	**6**	**6**	**6**	**4**	**5**	**5**
Total	3	4	**8**	**5**	**10**	**11**	**12**	**9**	**5**	**10**

Audit Committee

The Audit Committee consists of the non-executive directors John Dyson (chairman) and Michael Hafferty (replaced Roger Bartlett as from 24 April 2007). The Audit Committee met seven times during 2007, the attendees were as follows:

Date	Attendees
6 February 2007	All except Roger Bartlett
15 February 2007	All
18 April 2007	All except Roger Bartlett
24 April 2007	All
25 June 2007	All
2 August 2007	All
13 November 2007	All

The Committee is responsible for, amongst other things, ensuring that the financial performance of the Group is properly reported and monitored focusing particularly on compliance with legal requirements, accounting standards, and the requirements of the UK Listing Authority. The Committee also meets with the auditors and reviews the reports from the auditors without executive board members present.

As part of its remit, the Audit Committee also keeps under review the nature and extent of audit and non-audit services provided to the Group by the auditors. During the year the Committee formalised its policy and approved a set of procedures in relation to the appointment of external auditors to undertake audit and non-audit work. Under this policy:

- the award of audit-related services to the auditors in excess of £50,000 must first be approved by the Chairman of the Audit Committee, who in his decision to approve will take into account the aggregate of audit-related revenue already earned by the Group Auditor in that year. Audit related services include formalities relating to borrowing, shareholder and other circulars, regulatory reports, work relating to disposals and acquisitions, tax assurance work and advice on accounting policies;

- the award of tax consulting services to the auditors in excess of £100,000 must first be approved by the Chairman of the Audit Committee;

- the award of other non-audit related services to the auditors in excess of £20,000 must first be approved by the Chairman of the Audit Committee;

- and the auditors will be required to make a formal report to the Audit Committee annually on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

Nomination Committee

The Nomination Committee consists of Larry Tracey, James Peters and the non-executive directors. It is chaired by Larry Tracey and it reviews and considers the appointment of new directors. Any appointment of a new director is voted on by the whole Board. The Nomination Committee met once during the year on 12 February 2007. During the year, the Nomination Committee oversaw the appointment of Andy Sng, as an additional Executive Director and Michael Hafferty as an additional Non-Executive Director.

Relations with Shareholders

The Group engages in two-way communication with both its institutional and private investors and responds quickly to all queries received. The Group uses its website www.xppower.com to give private investors access to the same information that institutional investors receive. Interested parties are able to register for the Group's email alert service on this website to receive timely announcements and other information published from time to time. The Annual General Meeting is also an opportunity to communicate with shareholders where Directors are available for questions.

Going Concern

The directors, after making enquiries, are of the view, as at the time of approving the accounts, that there is a reasonable expectation that it will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these accounts.

XP Power Limited
Directors' Remuneration Report
For the financial year ended 31 December 2007

Introduction

This report meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration.

The members of the Remuneration Committee during 2007 were John Dyson, Roger Bartlett (both Non-Executive Directors), James Peters and Larry Tracey up to the date of the Scheme of Arrangement on 24 April 2007. After that date the Remuneration Committee members were John Dyson, Michael Hafferty (both Non-Executive Directors), James Peters and Larry Tracey. The committee is chaired by John Dyson.
The Group considers it appropriate that Larry Tracey and James Peters are members of the Remuneration Committee as they are both major shareholders and would therefore act in the interests of shareholders as a whole even though this is recognised as a breach of the UK Combined Code on Corporate Governance (see page 20). The Committee makes recommendations to the Board. No Director plays a part in any discussion regarding his own remuneration.

There were 3 Remuneration Committee Meetings during the year, the attendees being as follows:

Date	**Attendees**
20 February 2007	All
24 April 2007	All
14 November 2007	All

Remuneration Policy for the Executive Directors

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

The Committee consider the experience and value the individual directors contribute to the Group in assessing their level of pay

There are five main elements of the remuneration package for Executive Directors and senior management:

- basic annual salary;
- benefits-in-kind;
- annual profit share payments;
- share incentives; and
- pension arrangements.

The Company's policy is that a proportion of the remuneration of the Executive Directors should be performance-related. As described below, Executive Directors may earn annual profit shares together with the benefits of participation in share option schemes.

Basic salary

An Executive Director's basic salary is generally reviewed by the Committee each year and when an individual changes position or responsibility. Basic salaries for Executive Directors have been reviewed as follows:

Executive	Date of last review	Effective date of last increase
Larry Tracey	20 February 2007	1 January 2005
Mike Laver	20 February 2007	1 January 2007
Mickey Lynch	20 February 2007	1 January 2007
Duncan Penny	20 February 2007	1 February 2006
James Peters	20 February 2007	1 January 2005
Andy Sng	14 November 2007	1 January 2008

Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Benefits-in-kind

The Executive Directors receive certain benefits-in-kind, principally life assurance and private medical insurance. In additional Duncan Penny received a housing allowance relating to his relocation to Singapore and Andy Sng received a housing allowance relating to his relocation to Shanghai.

Annual bonus payments

The Committee establishes the profit thresholds that must be met for each financial year before a cash bonus is to be paid. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is growth in operating profit. Account is also taken of the relative success of the different parts of the business for which the Executive Directors are responsible. The profit share that an Executive Director can be paid is uncapped.

Share options

The Group operates a number of share incentive schemes. The IFX Power plc Share Option Plan as approved by the shareholders in April 2001 allows the Company to grant options over up to 2,113,711 shares representing 10% of the issued share capital at the time the Plan was set up with or without performance conditions. Due to the Scheme of Arrangement, the IFX Power plc Share Option Plan has been continued by XP Power Limited under the same conditions. Andy Sng received options over 30,000 shares on his appointment to the Board. Prior to that, no options under this scheme have been awarded to Executive Directors since 2002.

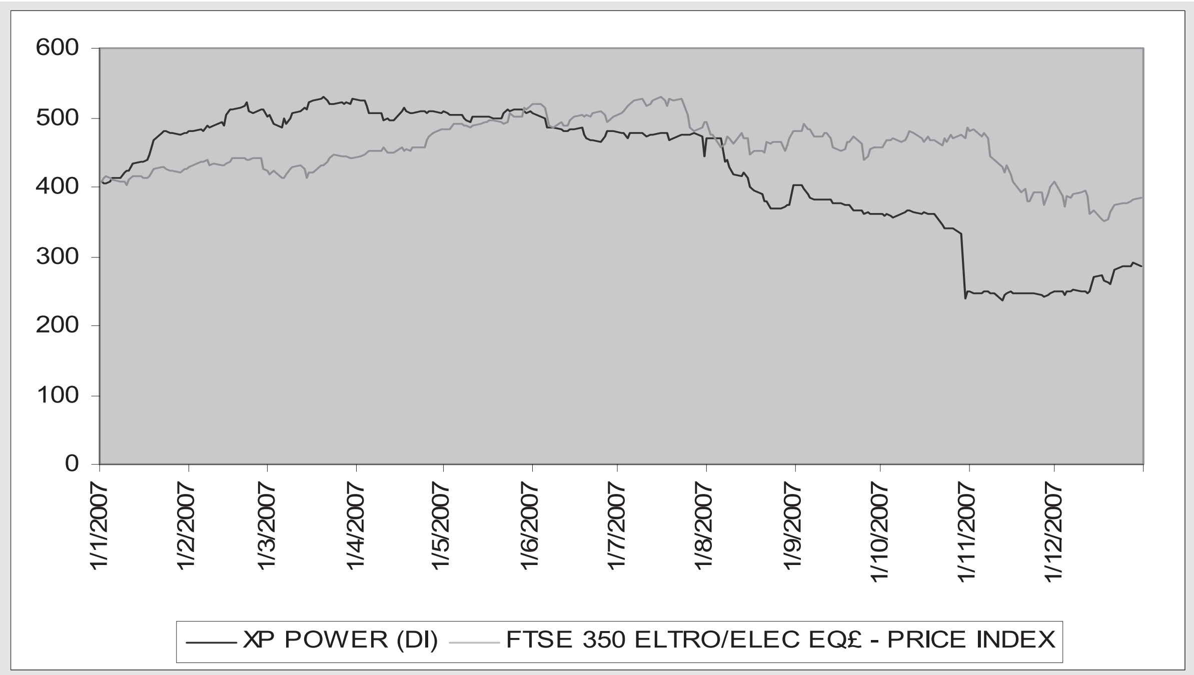
Pension arrangements

In the USA, the Group operates a defined contribution "401K Plan". The Group matches the director's contribution to this plan up to a maximum of 2% of salary.

The Group does not operate a pension scheme for the Singapore based directors but does make a payment to them of 3% of base salary in order for them to invest in a pension plan of their choosing.

Performance graph

The following graph shows the Company's performance, compared with the performance of the FTSE 350 Electronic and Electrical Equipment Price Index.



Source: Datastream

Directors' contracts

The Executive Directors' contracts run for an indefinite period, with the Company being able to terminate the contracts without cause giving 12-months notice. When a director is terminated without cause, the director is entitled to a termination payment of 12 months of basic pay.

Non-Executive Directors

Non-Executive Directors' contracts run for an initial 12 month period, renewable each year. They are not entitled to any termination payments. Non-Executive Directors are not entitled to share options or pensions.

All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. Under the terms and conditions of appointment of Non-Executive Directors, the annual fee paid to each Non-Executive Director is currently S$50,000 (£17,000).

XP Power Limited
Directors' Remuneration Report
For the financial year ended 31 December 2007

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

£	**2007**	2006
Basic salaries	**648,946**	517,968
Benefits in kind	**84,231**	72,720
Profit share	**16,902**	133,840
Fees to related parties	**15,000**	60,000
Money purchase pension contributions	**17,137**	8,411
Non-executive fees	**33,917**	40,000
Contractual severance payments	**-**	334,769
Relocation payments	**1,000,000**	-
Total remuneration	**1,816,133**	1,167,708

Directors' emoluments

Name of Director	Salary and fees	Relocation payments	Pension	Benefits	Profit share	2007 Total	2006 Total
£							
Executive							
Larry Tracey (v)	138,125	250,000	2,869	4,647	-	395,641	112,140
Mike Laver	115,017	-	2,300	3,925	11,902	133,144	155,394
Mickey Lynch	92,514	-	1,850	4,987	-	99,351	128,106
Duncan Penny	153,125	500,000	4,594	43,359	-	701,078	187,459
James Peters	123,125	250,000	3,769	4,561	-	381,455	156,442
Andy Sng (iv)	42,040	-	1,755	22,753	5,000	71,548	-
Non-Executive							
Roger Bartlett (i)	3,750	-	-	-	-	3,750	15,000
John Dyson	15,083	-	-	-	-	15,083	15,000
Paul Dolan (ii)	3,750	-	-	-	-	3,750	10,000
Michael Hafferty (iii)	11,333	-	-	-	-	11,333	-

(i) Resigned 24 April 2007.
(ii) Appointed 19 March 2006; resigned 24 April 2007.
(iii) Appointed 24 April 2007.
(iv) Appointed 24 April 2007.
(v) Larry Tracey's salary and fees includes £15,000 paid to Corryann Limited, a company 100% owned by Larry Tracey, under an agreement to provide the Group with the services of Larry Tracey. This arrangement was ended on 1 April 2007.

XP Power Limited
Directors' Remuneration Report
For the financial year ended 31 December 2007

Directors' interests in ordinary shares of XP Power Limited

	As at 31 December 2007	As at 1 January 2007
Executive		
Larry Tracey (a)	2,791,779	2,829,779
Mike Laver (b)	184,500	154,750
Mickey Lynch (c)	75,000	50,000
Duncan Penny (d)	400,000	300,000
James Peters (e)	2,899,779	3,149,779
Andy Sng (appointed 12 February 2007)	-	-
Non-executive		
John Dyson	15,000	15,000
Michael Hafferty (appointed 24 April 2007)	-	-

(a) Larry Tracey sold 300,000 shares at a price of 511p on 26 February 2007 and purchased 262,000 at an average price of 263.34p on 21 December 2007.

(b) Mike Laver sold 3,750 shares at a price of 480p on 18 June 2007, purchased 6,000 shares at a price of 246p on 31 October 2007 and purchased 2,500 shares at a price of 280p on 21 December 2007. On 24 April 2007 Mike Laver also purchased 25,000 shares at a price of 507.25p under the Company's deferred payment share scheme. Under this scheme payment is deferred until the shares are sold. As at 31 December 2007, the outstanding balance of the deferred payment share scheme is £350,813. The shares cannot be sold until four years from the date of acquisition.

(c) Mickey Lynch purchased 25,000 shares 24 April 2007 at a price of 507.25p under the Company's deferred payment share scheme. Under this scheme payment is deferred until the shares are sold. As at 31 December 2007, the outstanding balance of the deferred payment share scheme is £310,562. The shares cannot be sold until four years from the date of acquisition.

(d) Duncan Penny purchased 100,000 shares at a price of 249.34p on 31 October 2007. Duncan Penny participated in the deferred payment share scheme and as at 31 December 2007, the outstanding balance is £366,000.

(e) James Peters sold 300,000 shares at a price of 511p on 26 February 2007 and purchased 50,000 shares at a price of 250p on 31 October 2007.

XP Power Limited
Directors' Remuneration Report
For the financial year ended 31 December 2007

In addition to the directors' interests in the ordinary shares of the Company, the following directors have interests in share options:

Executive	Date of grant	Exercise price	As at 31 December 2007 Number of shares	As at 1 January 2007 Number of shares
Mike Laver (a)	24 August 2001	342.5p	24,000	24,000
	21 August 2002	175.0p	25,000	50,000
Mickey Lynch (b)	24 August 2001	342.5p	15,000	15,000
	21 August 2002	175.0p	10,000	20,000
Duncan Penny	24 August 2001	342.5p	25,000	25,000
Andy Sng (appointed 24 April 2007)	21 April 2005	411.0p	20,000	20,000
	26 April 2007	507.2p	30,000	-

Options become exercisable over 4 years in equal annual instalments from the date of grant. All options expire 10 years after the date of grant.

(a) Mike Laver exercised options over 25,000 shares which had been granted at a price of 175p on 21 August 2002 and sold them at a price of 511p on 26 February 2007.

(b) Mickey Lynch exercised options over 10,000 shares which had been granted at a price of 175p on 21 August 2002 and sold them at a price of 511p on 26 February 2007.

The highest and lowest mid market prices of the shares of XP Power Limited during 2007 were 528.4p and 235.3p per share respectively. The mid-market price on 31 December 2007 closed at 284.0p per share.

Approval

This report was approved by the Board of Directors on 3 March 2008 and signed on its behalf by:

John Dyson - Remuneration Committee Chairman

XP Power Limited
Statement by Directors
For the financial year ended 31 December 2007

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 86 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Larry Tracey
Executive Chairman

Duncan Penny
Chief Executive

3 March 2008

XP Power Limited
Independent Auditor's Report

We have audited the accompanying financial statements of XP Power Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 86, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act and International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 3 March 2008

XP Power Limited
Consolidated Income Statement
For the financial year ended 31 December 2007

£ Millions	**Note**	**2007**	2006 Restated
Sales	4	**66.3**	78.7
Cost of sales		**(38.3)**	(49.5)
Gross profit		**28.0**	29.2
Expenses			
Distribution and marketing		**(16.4)**	(16.4)
Administrative		**(0.8)**	(0.7)
Research and development cost		**(1.8)**	(1.9)
Reorganisation costs	5	**(2.4)**	(1.0)
Other operating income		**0.1**	0.1
Operating profit		**6.7**	9.3
Finance cost	7	**(1.7)**	(1.3)
Profit before tax		**5.0**	8.0
Income tax expense	9	**(1.4)**	(2.0)
Total profit	4	**3.6**	6.0
Attributable to:			
Equity holders of the Company (restated)	27	**3.4**	5.2
Minority interests (restated)	27	**0.2**	0.8
Total profit		**3.6**	6.0
Earnings per share for profit from continuing operations attributable to equity holders of the Company (pence per share)			
- Basic	11	**17.9**	27.9
- Diluted	11	**17.8**	27.5

XP Power Limited
Consolidated Balance Sheet
For the financial year ended 31 December 2007

£ Millions	Note	2007	2006 Restated
ASSETS			
Current Assets			
Cash and cash equivalents	18	**3.6**	4.2
Derivative financial instruments	25	**-**	0.1
Trade and other receivables	20	**11.4**	13.6
Other current assets	29	**1.8**	1.0
Inventories	19	**10.5**	11.1
Total current assets		**27.3**	30.0
Non-current assets			
Interest in associates	17	**0.1**	0.1
Property, plant and equipment	14	**2.4**	2.2
Long leasehold building	30	**1.0**	1.0
Goodwill	12	**29.6**	30.1
Intangible assets	13	**3.2**	2.6
ESOP loans to employees	31	**3.0**	2.6
Deferred income tax assets	26	**0.4**	0.6
Total non-current assets		**39.7**	39.2
Total assets		**67.0**	69.2
LIABILITIES			
Current liabilities			
Trade and other payables	21	**8.0**	10.1
Current income tax liabilities	9	**2.4**	2.4
Bank loans and overdraft	24	**2.7**	7.6
Provisions for other liabilities and charges	21	**0.1**	1.4
Total current liabilities		**13.2**	**21.5**
Non-current liabilities			
Borrowings	24	**20.3**	14.4
Deferred income tax liabilities	26	**1.4**	1.4
Provision for other liabilities and charges	23	**2.3**	2.5
Total non-current liabilities		**24.0**	18.3
Total liabilities		**37.2**	39.8
NET ASSETS		**29.8**	29.4
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**27.2**	0.2
Share premium account	27	**-**	27.0
Merger reserve	27	**0.2**	0.2
Own shares (as restated)	27	**(0.3)**	(6.3)
Translation reserve (as restated)	27	**(2.5)**	(2.3)
Retained earnings (as restated)	27	**5.0**	10.6
		29.6	29.4
Minority interest		**0.2**	-
TOTAL EQUITY		**29.8**	**29.4**

XP Power Limited
Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2007

£ Millions	Share capital	Share premium account	Company treasury shares	Merger reserve	Translation reserve	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total Equity
Restated									
Balance at 1 January 2006	0.2	27.0	(6.8)	0.2	(2.1)	8.7	27.2	-	27.2
Exchange differences on translation of foreign operations	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Loss on treasury shares	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Tax on items taken directly to equity	-	-	-	-	-	0.1	0.1	-	0.1
Net income recognised directly in equity	**-**	**-**	**-**	**-**	**(0.2)**	**(0.4)**	**(0.6)**	**-**	**(0.6)**
Profit for the year	-	-	-	-	-	5.2	5.2	0.8	6.0
Total recognized income	**-**	**-**	**-**	**-**	**(0.2)**	**4.8**	**4.6**	**0.8**	**5.4**
Sale of treasury shares	-	-	0.8	-	-	-	0.8	-	0.8
Dividends paid	-	-	-	-	-	(3.2)	(3.2)	(0.8)	(4.0)
Purchase of own shares	-	-	(0.3)	-	-	0.3	-	-	-
Restated balance at									
31 December 2006	**0.2**	**27.0**	**(6.3)**	**0.2**	**(2.3)**	**10.6**	**29.4**	**-**	**29.4**
Exchange differences on translation of foreign operations	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Loss on treasury shares	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Tax on items taken directly to equity	-	-	-	-	-	0.1	0.1	-	0.1
Net income recognised directly in equity	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**	**(0.4)**	**-**	**(0.4)**
Profit for the year	-	-	-	-	-	3.4	3.4	0.2	3.6
Total recognized income	**-**	**-**	**-**	**-**	**(0.2)**	**3.2**	**3.0**	**0.2**	**3.2**
Transfer of share premium on Scheme of Arrangement	27.0	(27.0)	-	-	-	-	-	-	-
Cancellation of treasury Shares	-	-	5.2	-	-	(5.2)	-	-	-
Sale of treasury shares	-	-	0.8	-	-		0.8	-	0.8
Dividends paid	-	-	-	-	-	(3.6)	(3.6)	-	(3.6)
Balance at 31 December 2007	**27.2**	**-**	**(0.3)**	**0.2**	**(2.5)**	**5.0**	**29.6**	**0.2**	**29.8**

XP Power Limited
Consolidated Cash Flow Statement
For the financial year ended 31 December 2007

£ Millions	2007	2006 Restated
Cash flows from operating activities		
Total profit	**3.6**	6.0
Adjustments for		
- Income tax expense	**1.4**	2.0
- Amortisation, depreciation and impairment	**1.1**	1.2
- Finance expenses	**1.7**	1.3
- Loss on fair valuation of derivative financial instruments	**0.1**	-
- Unrealised translation losses	**-**	0.5
Change in the working capital, net effects from acquisition and disposal of subsidiaries		
- Inventories	**0.6**	(2.9)
- Trade and other receivables	**1.8**	0.1
- Trade and other payables	**(2.5)**	0.1
- Provisions for liabilities and other charges	**0.5**	-
Cash generated from operations		
Income tax paid	**(1.4)**	(2.5)
Net cash provided by operating activities	**6.9**	5.8
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**(0.4)**	(0.8)
Purchases and construction of the property, plant and equipment	**(0.9)**	(1.2)
Purchases of intangible assets (R&D)	**(1.0)**	(0.9)
ESOP loan issued	**(0.4)**	0.3
Payment of deferred consideration	**(1.4)**	(1.0)
Net cash used in investing activities	**(4.1)**	(3.6)
Cash flows from financing activities		
Proceeds from borrowings	**5.9**	3.2
Sale of treasury shares	**0.5**	0.4
Interest paid	**(1.5)**	(1.3)
Dividends paid to equity holders of the Company	**(3.6)**	(3.2)
Dividends paid to minority shareholders	**-**	(0.8)
Net cash provided by financing activities	**1.3**	(1.7)
Net increase in cash and cash equivalents	**4.1**	0.5
Cash and cash equivalents at beginning of financial year	**(3.4)**	(3.9)
Effects of currency translation on cash and cash equivalents	**0.2**	-
Cash and cash equivalents at end of financial year	**0.9**	(3.4)

1. General Information

XP Power Limited (the "Company") is listed on the London Stock Exchange and incorporated and domiciled in Singapore. The address of its registered office is 138 Robinson Road #17-00, The Corporate Office, Singapore 068906.

The nature of the Group's operations and its principal activities are set out in the Background to the Group and its Products and Markets on page 4.

These financial statements are presented in Pounds Sterling.

Reverse acquisition

The Company was incorporated on 12 February 2007. On 24 April 2007 the Company became the holding company of XP Power plc pursuant to a scheme of arrangement under section 425 of the Companies Act 1985 of the United Kingdom ('the Scheme of Arrangement').

Under International Financial Reporting Standard ("IFRS") 3, Business Combinations, this Group reconstruction effected by the Scheme of Arrangement has been accounted for as a reverse acquisition of the Company by XP Power plc. This consolidated financial information issued in the name of the legal parent, the Company, accordingly has been prepared and presented in substance as a continuation of the financial information of the legal subsidiary, XP Power plc. The following accounting treatment has been applied in respect of the reverse acquisition:

<u>At Group level:</u>

a) the assets and liabilities of the legal subsidiary, XP Power plc, are recognized and measured in the consolidated financial information at the pre-combination carrying amounts, without restatement to fair values;
b) the retained earnings and other equity balances recognized in the consolidated financial information reflect the retained earnings and other equity balances of XP Power plc immediately before the business combination. The results of the period from 1 January 2007 to the date of the business combination are those of XP Power plc, as the Company did not trade prior to the transaction. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity issued) reflects the equity structure of the Company, being the legal parent to effect the combination; and
c) The comparative figures of the Group have not been audited. However they were prepared based on the audited consolidated financial statements of the legal subsidiary, XP Power plc, for the year ended 31 December 2006.

The Company had no significant assets, liabilities or contingent liabilities of its own at the time that the Scheme of Arrangement took effect, and no cash consideration was paid in respect of the business combination. Under the Scheme of Arrangement the Company issued to the same shareholders the same number of shares in place of their shareholdings in XP Power plc. Therefore no additional shares were deemed to be issued by XP Power plc, the legal subsidiary, for the reverse acquisition. Hence, the cost of combination is deemed to be nil.

1. General Information (cont'd)

At the Company level

Reverse acquisition accounting only applies in the consolidated financial statements. Therefore, in the legal parent's separate financial statements, the investment in the legal subsidiary is accounted for at cost less accumulated impairment losses in the Company's balance sheet.

2. Basis of accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

On 1 January 2007, the Group adopted the new standards, amendments and interpretations that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards, amendments and interpretations.

The following are the new or amended IFRS and interpretations that are relevant to the Group:

Amendments to IFRS 1	Presentation of Financial Statements – Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the above IFRS interpretations did not result in any substantial changes to the Group's accounting policies or any significant impact on the disclosures in this Earnings' Release. IFRS 7 and the complementary amended IFRS 1 introduce new disclosures relating to financial instruments and capital respectively which will be reflected in the audited financial statements.

The Group has not applied early adoption of any new Standards or interpretations.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Pounds Sterling, which is different from the Company's functional currency. The Company's functional currency is the United States Dollar.

The financial statements are being presented in Pounds Sterling, as the majority of the Company's shareholders are based in the UK and the Company is listed on the London Stock Exchange. It is the currency that the directors of the Group use when controlling and monitoring the performance and financial position of the Group.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred into the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on the acquisitions before the date of transition to IFRS as Pound Sterling denominated assets and liabilities converted using the exchange rates at the dates of acquisition.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, Value Added Tax/Goods and Services Tax and other sales related taxes.

a) Sales of goods are recognised when a Group entity has shipped the goods to locations specified by its customers in accordance with the sales contract and the collectability of the related receivable is reasonably assured.

b) Interest income is recognised using the effective interest method.

2.4 Group accounting

(c) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of net results of operations and of net assets of a subsidiary attributable to the interests, which are not owned directly, or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

The results of subsidiaries acquired or disposed of in the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

(d) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement.

Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

2.4 Group accounting (cont'd)

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill (net of any accumulated impairment losses) identified on acquisition.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(d) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint venture's income and expenses, assets and liabilities and cash flows of the jointly controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of unrealised gains or losses on the sale of assets that is attributable to the interest of the other ventures. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.4 Group accounting (cont'd)

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independently party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group has changed accounting policies of joint ventures where necessary to ensure consistency with the accounting policies adopted.

2.5 Property, plant and equipment

Items of property, plant and equipment, including land and buildings, are stated at cost less accumulated depreciation and any recognised impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to write off the cost or valuation of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery	-	25 – 33%
Motor vehicles	-	25%
Office equipment	-	25 – 33%
Leasehold improvements	-	10% or over the life of the lease if shorter

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the income statement.

2.6 Intangible assets

(a) Goodwill on acquisitions

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

2.6 Intangible assets (cont'd)

Goodwill is recognised as an asset and reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(b) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- An asset is created that can be separately identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, which vary between 4 and 7 years depending on the exact nature of the project undertaken. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

2.7 Impairment – non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate of 9.9% (2006: 11.2%) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2.7 Impairment – non-financial assets (con'td)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of the impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets depending on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets comprise loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date, which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(b) Recognition/derecognition

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently at amortised cost using the effective interest method.

2.9 Financial assets (cont'd)

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a loan or receivable is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortized cost using the effective interest method.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement when the changes arise.

2.12 Borrowings

Interest-bearing bank loans and overdrafts are recorded at their fair value (net of direct issue costs), normally the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.13 Leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

2.14 Derivative financial instruments and hedging activities

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group periodically uses foreign exchange forward contracts to hedge the foreign currency exposures. The Group does not use derivative financial instruments for speculative purposes.

The fair value changes of the currency forward contracts are recognized in the income statement directly. The Group does not apply hedge accounting.

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments. The Group does not have any financial instruments traded in an active market.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution and reductions for estimated irrecoverable amounts.

2.17 Income taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.19 Share based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to employees.

2.20 Retirement benefit costs

The Group operates several defined contribution plans. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no further payment obligations once the contributions have been paid.

2.21 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

2.22 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ('treasury share'), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

2.22 Share capital and treasury shares (cont'd)

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the retained earnings of the Company.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

2.25 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, as described in note 2, management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

a) Recoverability of Capitalised R&D

During the year £ 0.9 million of development costs were capitalised bringing the total amount of development cost capitalised as intangible assets as of 31 December 2007 to £2.6 million, net of amortisation. Management has reviewed the balances by project, compared the carrying amount to expected future revenues and profits and is satisfied that no impairment exists and that the costs capitalised will be fully recovered as the products are launched to market. New product projects are monitored regularly and should the technical or market feasibility of a new product be in question, the project would be cancelled and capitalised costs to date removed from the balance sheet and charged to the income statement.

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Impairment of Goodwill

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management (which take into account past experience and industry growth forecasts) for the next five years and extrapolates cash flows for the following five years assuming no growth from that date. The carrying amount of goodwill as at 31 December 2007 was £ 29.6 million with no impairment adjustment required for 2007.

If the management's estimated revenues decrease between 10% to 15% it will trigger an impairment adjustment and the carrying amounts of goodwill will be lowered.

(c) Estimation of future deferred consideration payments

As of the 31 December 2007 balance sheet date the Group has recorded estimated future payments related to the acquisition of the remaining of 30.3% of Powersolve. When discounted to present value the total of these payments are estimated at £ 2.3 million and that amount is reflected on the balance sheet as of 2007 year end. Since the final payments will be dependent on the actual future financial performance of the business an estimate is required to approximate future business conditions.

If Powersolve's earning increase or decrease by 10%, the deferred consideration will be affected by £0.2 million.

(d) Deferred income tax

The Group has an unrecognised deferred tax asset of £ 2.2 million (2006: £2.4 million). The eventual recognition of this asset is dependent of the assessment of the relevant subsidiaries tax position by the taxation authority in that jurisdiction. The tax asset will be brought to account on final acceptance of tax returns filed in the relevant jurisdiction.

4. Segmental reporting

For management purposes, the Group is organised on a geographic basis by location of where the sales originated. This is the basis on which the Group reports its primary segment information. The Group's products are essentially a single class of business; however, from a sales and marketing perspective, the Group's sales activities are organised by class of customer. The same geographic assets deliver the same class of products to the different class of customer. The sales information by class of customer has been provided to assist the user of the accounts; however, since the assets are not separated by class of business further information on net assets and capital additions by class of customers has not been provided.

XP Power Limited
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4. Segmental reporting (cont'd)

Geographical segment
The geographical segmentation is as follows:

£ Millions	2007	2006
Revenue		
Europe	**34.2**	36.3
North America	**35.6**	45.7
Asia	**9.4**	0.6
Intercompany elimination	**(12.9)**	(3.9)
Total Revenue	**66.3**	**78.7**
Segment result		
Europe	**4.7**	3.3
North America	**5.4**	6.2
Asia	**1.1**	0.4
Interest, corporate operating costs and associates	**(6.2)**	(1.9)
Segment result	**5.0**	8.0
Tax	**(1.4)**	(2.0)
Profit after tax	**3.6**	6.0

	Year to 31 December 2007				Year to 31 December 2006			
£ Millions	**Europe**	**North America**	**Asia**	**Total**	Europe	North America	Asia	Total
Other Information								
Capital additions	**0.4**	**0.2**	**0.3**	**0.9**	0.6	0.6	-	1.2
Depreciation	**0.4**	**0.3**	**-**	**0.7**	0.4	0.3	-	0.7
Intangible additions	**-**	**1.0**	**-**	**1.0**	1.6	1.5	-	3.1
Amortisation	**0.3**	**0.1**	**-**	**0.4**	0.3	0.2	-	0.5
Balance sheet								
Goodwill	**9.3**	**19.6**	**0.7**	**29.6**	9.8	19.6	0.7	30.1
Other non-current assets	**6.0**	**3.5**	**0.2**	**9.7**	8.1	0.4	0.1	8.6
Inventories	**1.6**	**5.2**	**3.7**	**10.5**	5.9	5.2	-	11.1
Trade and other receivables	**5.3**	**5.4**	**0.7**	**11.4**	6.5	6.8	0.3	13.6
Other current assets	**0.4**	**0.2**	**1.2**	**1.8**	0.7	0.3	-	1.0
Cash	**2.4**	**0.8**	**0.4**	**3.6**	3.0	1.0	0.2	4.2
Segment assets	**25.0**	**34.7**	**6.9**	**66.6**	34.0	33.3	1.3	68.6
Unallocated deferred tax				**0.4**				0.6
Consolidated total assets				**67.0**				69.2
Trade and other payables	**(2.7)**	**(2.7)**	**(2.6)**	**(8.0)**	(5.1)	(5.0)	-	(10.1)
Deferred consideration	**(2.3)**	**-**	**-**	**(2.3)**	(3.9)	-	-	(3.9)
Segment liabilities	**(5.0)**	**(2.7)**	**(2.6)**	**(10.3)**	(9.0)	(5.0)	-	(14.0)
Unallocated corporate liabilities				**(23.1)**				(22.0)
Unallocated deferred and current tax				**(3.8)**				(3.8)
Consolidated total liabilities				**(37.2)**				(39.8)

4. Segmental reporting (cont'd)

Analysis by customer
The revenue by class of customer was as follows:

£ Millions	Year to 31 December 2007 Europe	North America	Asia	Total	Year to 31 December 2006 Europe	North America	Asia	Total
Communications	**7.4**	**5.4**	**0.2**	**13.0**	7.9	11.5	-	19.4
Industrial	**14.6**	**17.9**	**2.5**	**35.0**	15.4	22.8	0.6	38.8
Medical	**5.1**	**8.9**	**-**	**14.0**	4.7	8.3	-	13.0
Defence and avionics	**3.5**	**0.8**	**-**	**4.3**	6.6	0.9	-	7.5
Total	**30.6**	**33.0**	**2.7**	**66.3**	34.6	43.5	0.6	78.7

5. Reorganisation costs

The reorganisation costs associated with the Scheme of Arrangement and move of the parent company and headquarters to Singapore are analysed as follows:

£ Millions	2007
Relocation	**1.0**
Legal fees	**0.4**
Financial advice	**0.3**
Broker fees	**0.3**
Reporting accountants	**0.2**
Stock Exchange, Registrars, printing and other costs	**0.1**
Systems configuration and set up	**0.1**
Total	**2.4**

In consideration of relocating themselves and the parent company to Singapore a payment of £500,000 was made to Duncan Penny and payments of £250,000 made to James Peters and Larry Tracey. Part of the terms of these payments are that the individuals have to repay the total amount paid to them should they leave the Company within one year of the date the Scheme of Arrangement became effective or repay half of the amount paid to them should they leave the Company within one to two years of the date the Scheme of Arrangement became effective.

In 2006, there was a total restructuring cost of £ 1.0 million. This is comprised of inventory write-offs of £0.3 million which is associated with the termination of third party lines and £0.7 million redundancy costs for the closure of Benelux and reduction of headcount in various parts of our business.

6. Information regarding employees (including Directors)

£ Millions	**2007**	2006
Employee costs during the year:		
Wages and salaries	**10.9**	11.8
Social security	**0.9**	1.1
Pension	**0.5**	0.3
Restructuring costs	**1.0**	0.7
Share option costs	**0.1**	-
Total	**13.4**	13.9

For further information regarding Director's remuneration, refer to the Directors' Remuneration Report.

7. Finance costs

£ Millions	**2007**	2006
Bank loans and overdraft	**1.5**	1.1
Unwinding of discount on deferred consideration (see note 23)	**0.2**	0.2
Total	**1.7**	1.3

No interest was received during the current or prior year.

8. Expenses by nature

£ Millions	**2007**	2006
Profit for the year is after charging:		
Research and development costs	**1.8**	1.9
Amortisation of intangible assets	**0.4**	0.5
Depreciation of property, plant and equipment	**0.7**	0.7
Staff costs (see note 6)	**13.4**	13.9
Foreign exchange loss/(gains)	**(0.1)**	0.2
Loss/(gains) on foreign exchange forward	**0.1**	(0.1)
Cost of inventories recognised as expense*	**38.2**	49.5
Charge for doubtful debts	**0.2**	0.2
Fees paid to auditors:		
Audit	**0.2**	0.2
Other services - tax	**0.5**	0.1
Rent/lease expense	**0.7**	0.7
All other charges	**5.3**	3.0
Total	**61.4**	70.8

* This includes write - downs of inventories of £0.2 million (2006: £0.6 million)

9. Tax on profit on ordinary activities

£ Millions		2007	2006
United Kingdom corporation tax	- current year	0.5	0.9
	- adjustment in respect of prior year	(0.1)	0.2
Double tax relief		-	(0.1)
Overseas corporation tax	- current year	1.4	1.4
	- adjustment in respect of prior year	(0.5)	(0.3)
Total current tax		**1.3**	**2.1**
Deferred tax		**0.1**	**(0.1)**
Tax charge for the year		**1.4**	**2.0**

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The differences between the total tax shown above and the amount calculated by applying the standard rate of United Kingdom corporate tax to the profit before tax are as follows:

£ Millions	2007	2006
Profit on ordinary activities before tax	5.0	8.0
Tax on profit on ordinary activities at standard United Kingdom tax rate of 30% (2006: 30%)	1.5	2.4
Higher rates of overseas corporation tax	0.4	0.3
Utilisation of overseas losses	-	(0.3)
Non-deductible expenditure	0.4	0.1
Foreign exchange loss	(0.6)	-
Tax on USA dividend to UK	0.3	-
Non-taxable income	-	(0.4)
Prior year adjustments	(0.6)	(0.1)
Total tax charge for the year	**1.4**	**2.0**

The Group has chosen to use the standard rate of United Kingdom corporate tax as it is a better presentation of the Group's tax exposure and charges.

No additional deferred tax beyond what has currently been provided is recognised on the unremitted earnings of overseas subsidiaries. As these earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

9. Tax on profit on ordinary activities (cont'd)

Movement in current income tax liabilities

£ Millions	**2007**	2006
At 1 January 2007	(2.4)	(2.8)
Currency translation differences	(0.1)	-
Income tax paid	1.4	2.5
Tax expense- current year	(1.9)	(2.2)
Tax expense- previous year	0.6	0.1
Total at 31 December 2007	**(2.4)**	(2.4)

10. Dividends

Amounts recognised as distributions to equity holders in the period

	2007			2006		
	Pence per share		**£ Millions**	Pence per share		£ Millions
Prior year final dividend paid	**10.0**	*	**1.9**	9.0		1.7
Interim paid	**9.0**	^	**1.7**	8.0	*	1.5
Total	**19.0**		**3.6**	17.0		3.2

* Dividends in respect of 2006 (18.0p)

^ Dividends in respect of 2007 (20.0p)

The proposed final dividend for 2007 is subject to approval by shareholders at the Annual General Meeting scheduled for 26 March 2008 and has not been included as a liability in these financial statements. It is proposed that the final dividend be paid on 4 April 2008 to members on the register as at 28 March 2008.

11. Earnings per share

The calculations of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent are based on the following data

	2007	2006 Restated
Earnings	**£ Millions**	£ Millions
Earnings for the purposes of basic and diluted earnings per share		
(profit for the year attributable to equity shareholders of the parent)	**3.4**	5.2
Amortisation of intangibles associated with acquisitions	**0.3**	0.3
Reorganisation costs (note 5)	**2.4**	1.0
Tax effect of restructuring	**(0.1)**	(0.3)
Earnings for adjusted earnings per share	**6.0**	**6.2**
Number of shares	**No.**	No.
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**18,946**	18,627
Effect of potentially dilutive share options (thousands)	**184**	270
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,130**	18,897
Earnings per share from operations		
Basic	**17.9p**	27.9p
Diluted	**17.8p**	27.5p
Diluted adjusted	**31.4p**	32.8p

The minority shareholders are entitled to their share of any dividend declared. The dividend payable to minority shareholders in 2007 was £0.2 million. In 2006 the dividend paid to minority shareholders was £0.8 million. This amount was not reflected in the 2006 income statement but has now been restated as a prior year adjustment.

The 2006 restatement resulted in the basic earnings per share changing from 32.2p to 27.9p and the adjusted diluted earnings per share changing from 37.0p to 32.8p.

12. Goodwill

	2007 **£ Millions**
Cost and net book value	
At 1 January 2006	28.0
Recognised on acquisition of subsidiaries	2.1
At 1 January 2007	**30.1**
Change in deferred contingent consideration	**(0.4)**
Foreign currency translation	**(0.1)**
At 31 December 2007	**29.6**
Accumulated impairment losses	
At 1 January 2006, 1 January 2007 and 31 December 2007	**-**
Carrying Amount	
At 31 December 2007	**29.6**
At 31 December 2006	**30.1**

Goodwill arises on the consolidation of subsidiary undertakings.

The reduction of £0.4 million was due to a revaluation of the deferred contingent consideration related to the Powersolve acquisition. The final amount due in 2012 is related to the prior three year's earnings the estimates for which, based on 2007 performance, were revised downward.

The Cash Generating Units are defined based on the countries of operations.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units (a rate of 9.9% was used for 2007 and for 2006, the rate was 11.2%).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management which take into account past experience and industry growth forecasts, an average growth rate of 5% and a gross margin varying for the different countries between 29% and 50%, for the next five years and extrapolates cash flows for the following five years assuming no growth from that date. The carrying amount of goodwill as at 31 December 2007 was £ 29.6 million with no impairment adjustment required for 2007.

13. Other Intangible assets

£ Millions	Development cost	Trade marks	Non-contractual customer relationships	Total
Cost				
At 1 January 2006	1.0	1.0	0.3	2.3
Additions	0.9	-	-	0.9
At 1 January 2007	1.9	1.0	0.3	3.2
Additions	1.0	-	-	1.0
At 31 December 2007	**2.9**	**1.0**	**0.3**	**4.2**
Amortisation				
At 1 January 2006	-	0.1	-	0.1
Charge in the year	0.2	0.2	0.1	0.5
At 1 January 2007	0.2	0.3	0.1	0.6
Charge in the year	0.1	0.2	0.1	0.4
At 31 December 2007	**0.3**	**0.5**	**0.2**	**1.0**
Carrying Amount				
At 31 December 2007	**2.6**	**0.5**	**0.1**	**3.2**
At 31 December 2006	1.7	0.7	0.2	2.6

The amortisation period for development costs incurred on the Group's products varies between four and seven years according to the expected useful life of the products being developed.

Amortisation commences when the asset is available for use.

The separately identifiable intangible assets acquired with the Powersolve business have an expected useful life of five years and amortisation of £0.3 million has been incurred during the period.

14. Property, plant and equipment

£ Millions	Plant and machinery	Motor vehicles	Office equipment	Building improvements	Total
Cost					
At 1 January 2006	3.2	0.6	1.7	0.7	6.2
Additions	0.5	0.1	0.4	0.2	1.2
Disposals	(0.1)	(0.2)	(0.7)	-	(1.0)
Foreign currency translation	(0.5)	-	-	-	(0.5)
At 1 January 2007	3.1	0.5	1.4	0.9	5.9
Additions	0.4	0.1	0.3	0.1	0.9
Disposals	-	(0.1)	(0.1)	-	(0.2)
Foreign currency translation	(0.6)	-	0.4	0.2	-
At 31 December 2007	**2.9**	**0.5**	**2.0**	**1.2**	**6.6**
Depreciation					
At 1 January 2006	1.9	0.4	1.4	0.5	4.2
Charge in the year	0.4	0.1	0.1	0.1	0.7
Disposals	(0.1)	(0.2)	(0.7)	-	(1.0)
Foreign currency translation	(0.2)	-	-	0.0	(0.2)
At 1 January 2007	2.0	0.3	0.8	0.6	3.7
Charge for the year	0.3	0.1	0.2	0.1	0.7
Disposals	-	-	-	-	-
Foreign currency translation	(0.2)	(0.1)	0.2	(0.1)	(0.2)
At 31 December 2007	**2.1**	**0.3**	**1.2**	**0.6**	**4.2**
Carrying Amount					
At 31 December 2007	**0.8**	**0.2**	**0.8**	**0.6**	**2.4**
At 31 December 2006	1.1	0.2	0.6	0.3	2.2

15. Subsidiaries

Details of principal subsidiaries at 31 December 2007, all of which are consolidated are as follows:

Name of Subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of voting power held (%)	Proportion of Ownership (%)	Auditor of subsidiaries
XP Power AG	Switzerland	96	96	Karpf Treuhand & Revisions AG
XP Power, Inc (California)	USA	100	100	Exempted to be audited by local statutory law
XP Power, Inc (Massachusetts)	USA	100	100	Exempted to be audited by local statutory law
XP PLC	UK	100	100	PricewaterhouseCoopers
XP Power ApS	Denmark	100	100	Deloitte
XP Power GmbH	Germany	100	100	Exempted to be audited by local statutory law
XP Power Norway AS	Norway	100	100	Inter Revisjon Oslo AS
XP Power SA	France	100	100	Deloitte
XP Power Sweden AB	Sweden	100	100	Deloitte
Powersolve Electronics Limited	UK	70	100	PricewaterhouseCoopers
XP Power (Shanghai) Co Ltd	China	100	100	Shanghai JunFu PCZ/Jiahua CPA
Mieltec XP Power Srl	Italy	80	80	Exempted to be audited by local statutory law
XP Power (S) Pte Limited	Singapore	100	100	PricewaterhouseCoopers
XP Energy Systems Limited	UK	100	100	PricewaterhouseCoopers

16. Interest in joint ventures

The Group has had a 50% shareholding in Fortron XP Power (Hong Kong) Limited, a company incorporated in Hong Kong.

The Group accounts for its jointly controlled entities on a proportional consolidation basis.

The Group's share of the joint ventures' assets and liabilities and income and expenses is shown below.

16. Interest in joint ventures (cont'd)

Aggregate amounts relating to joint ventures:

£ Millions	2007	2006
Current assets	**0.8**	0.6
Non-current assets	**0.4**	0.4
Current liabilities	**(0.4)**	(0.2)
Total	**0.8**	0.8
Income	**1.3**	0.8
Expenses	**(1.3)**	(0.8)
Profit before tax	**-**	-

On 1 January 2008 the Group acquired the remaining 50% of the issued share capital of Fortron XP Power (Hong Kong) Limited for a consideration of US$2.5 million in cash. Therefore with effect from 1 January 2008 XP had full control of the manufacturing facility in Kunshan and operations office in Hong Kong.

17. Interest in associates

The Group has a 20% stake in Safety Power, a company incorporated in the United Kingdom.

Aggregate amounts relating to associates:

£ Millions	2007	2006
Total assets	**0.1**	0.1
Total liabilities	**-**	-
Total	**0.1**	0.1
Income	**0.1**	0.1
Expenses	**(0.1)**	(0.1)
Profit before tax	**-**	-

18. Cash and cash equivalents

£ Millions	**2007**	2006
Cash at bank and on hand	**3.6**	4.2
Total	**3.6**	4.2

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

£ Millions	**2007**	2006
Cash and bank balances (as above)	**3.6**	4.2
Less: bank overdrafts (Note 24)	**(2.7)**	(7.6)
Cash and cash equivalents per consolidated cash flow statement	**0.9**	(3.4)

Reconciliation to free cash flow

£ Millions	**2007**	2006
Net cash inflow from operating activities	6.9	5.8
Purchase of property, plant and equipment	(0.9)	(1.2)
Development expenses capitalised	(1.0)	(0.9)
Restructuring cost	2.4	1.0
Interest expense	(1.5)	(1.3)
Free cash flow	5.9	3.4

19. Inventories

£ Millions	**2007**	2006
Goods for resale	**10.5**	11.1

20. Trade and other receivables

£ Millions	2007	2006
Trade receivables	**11.4**	13.6
Total	**11.4**	13.6

The average credit period taken on sales of goods is 63 days. No interest is charged on the outstanding receivable balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £0.2 million (2006: £0.3 million). This allowance has been determined by reference to past default experience.

The Directors consider that the carrying amounts of trade and other receivables approximate their fair value.

21. Current liabilities

£ Millions	2007	2006
Trade and other payables	**7.0**	9.6
Social security	**1.0**	0.5
Current income tax liabilities	**2.4**	2.4
Bank loans and overdrafts (see note 24)	**2.7**	7.6
Current portion of deferred consideration	**-**	1.4
Other provisions	**0.1**	-
Total	**13.2**	21.5

The bank loans and overdrafts are secured on the assets of the Group.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

The deferred consideration of £1.4 million in 2006 related to the payment made in 2007 for a further of 30.3% of the share capital of Powersolve Electronics Limited.

22. Non-current liabilities

£ Millions	**2007**	2006
Bank loans	**20.3**	14.4
Provisions - deferred contingent consideration	**2.3**	2.5
Deferred tax	**1.4**	1.4
Total	**24.0**	18.3

The deferred consideration is the discounted net present value of expected payments related to the acquisition of the remaining 30.3% of the share capital of Powersolve Electronics Limited which the Group will pay in 2012.

23. Provisions – Deferred contingent consideration

£ Millions	**2007**	2006
At 1 January 2007	**3.9**	3.3
Additional provision in the year	**(0.4)**	0.9
Payment	**(1.4)**	(0.5)
Adjustment for unwinding of discount rate	**0.2**	0.2
At 31 December 2007	**2.3**	3.9
Current portion of deferred consideration	**-**	(1.4)
Deferred contingent consideration	**2.3**	2.5

The Group owns 69.7% of the shares of Powersolve Electronics Limited (Powersolve) and is committed to purchase the remaining 30.3% of the shares in January 2012. The commitment to purchase the remaining ownership has been accounted for as deferred consideration and is calculated based on the expected future payment which will be based on a predefined multiple of the earnings of 2009, 2010 and 2011.

The future payment is discounted to the present value, with the discount amortised to interest expense each period as the payment draws nearer. At each reporting period, the anticipated future payment is recalculated and an adjustment made accordingly. As a result of the purchase commitment and the amount of control XP Power Limited exerts over Powersolve, the Powersolve results are fully consolidated in the Group with a minority interest charge made in the amount of dividends that will be payable for that year to the minority shareholders.

24. Bank loans and overdrafts

The borrowings are repayable as follows:

£ Millions	**2007**	2006
On demand or within one year	2.7	7.6
In the second year	5.1	-
In the third year	4.2	6.9
In the fourth year	11.0	7.5
	23.0	22.0
Less: amounts due for settlement within 12 months (shown under current liabilities)	(2.7)	(7.6)
Total	20.3	14.4

The carrying amounts of the Group's borrowings are denominated in the following currencies:

December 2007 £ Millions	**GBP**	**USD**	**EUR**	**NOK**	**JPY**	**CHF**	**SGD**	**SEK**	**TOTAL**
Bank overdrafts	(1.6)	3.7	0.1	(0.1)	0.7	0.1	0.1	(0.3)	**2.7**
Bank loans	-	18.4	-	-	-	0.9	1.0	-	**20.3**
Total	**(1.6)**	**22.1**	**0.1**	**(0.1)**	**0.7**	**1.0**	**1.1**	**(0.3)**	**23.0**

December 2006 £ Millions	GBP	USD	EUR	NOK	JPY	CHF	SGD	SEK	**TOTAL**
Bank overdrafts	1.0	2.4	1.3	0.1	0.9	1.9	-	-	**7.6**
Bank loans	10.0	2.6	-	-	-	0.8	1.0	-	**14.4**
Total	11.0	5.0	1.3	0.1	0.9	2.7	1.0	-	**22.0**

The average interest rates paid were as follows:	**2007**	**2006**
Bank overdrafts	**5.4%**	5.2%
Bank loans	**6.8%**	6.1%

The fair value of the Group's loans and overdrafts is the same as the book value.

The positive overdraft balances are considered an offset against our net liability to our bank. They form part of the same working capital facility with Bank of Scotland.

24. Bank loans and overdrafts (cont'd)

The other principal features of the Group's borrowings are as follows:

1. Bank overdrafts are repayable on demand. The bank overdrafts are secured on the assets of the Group. At 31 December 2007, the Group had an overdraft of £2.7 million. In September 2007 the Group renewed its annual working capital facility and increased the limit to £10.0 million from £4.0 million. The overdraft interest rate ranges from 1.0% to 1.5% above LIBOR depending on covenant performance.

2. The bank loan at 31 December 2007 of £20.3 million represents the amount drawn down under the multi-currency revolving credit facility and the senior debt facility from Halifax Bank of Scotland. The non-utilisation fee on this facility of 0.5% is calculated on a daily basis and payable quarterly in arrears. In December 2007, the Group converted from the outstanding of £16.0 million committed term loan to US$31.9 million, in order to reduce its borrowing costs. The term loan is repayable over 4 years with US$4.99 million due in 2009, US$4.99 million due in 2010 and the balance of US$21.96 million due in 2011.

3. The £5.0 million multicurrency revolving credit facility remains unchanged.

4. The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

25. Derivative financial instruments

The Group utilised currency derivatives to hedge significant future transactions and cash flows. The instruments purchased were denominated in the currencies of the Group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below.

£ Millions	**2007**	2006
Forward foreign exchange contracts	0.9	8.9

These contracts are to hedge against exchange movements on future purchases of goods.

The forward exchange contracts do not qualify for hedge accounting. Therefore, changes in the fair value of the currency derivatives amounting to £0.1 million have been debited to income in the year (2006: £0.1 million credited) (see note 8).

The fair value of the forward exchange asset at 31 December 2007 was less than £0.1 million (2006: £0.1 million).

25. Derivative financial instruments (cont'd)

On 6 February 2008 the Group entered into a three year interest rate swap agreement to swap its variable US$ LIBOR interest rate on US$31.9 million (£16.0 million) for a fixed rate of interest of 3.23% in order to manage exposure to interest rate movements. The Group pays its normal borrowing margin of 1.0% to 1.5% above LIBOR depending on covenant performance on top of its fixed rate of 3.23%.

26. Deferred tax

The following are the major deferred tax assets and (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation	Goodwill amortisation	Share based payment	Capitalised development costs	Other intangible assets	Other timing differences	Total
£ Millions							
At 1 January 2006	0.1	(0.4)	0.2	(0.4)	(0.4)	-	(0.9)
Charge to income	0.1	-	0.1	(0.3)	0.1	0.1	0.1
At 1 January 2007	0.2	(0.4)	0.3	(0.7)	(0.3)	0.1	(0.8)
Charge to income	0.1	0.1	-	(0.3)	0.1	(0.1)	(0.1)
Charge to equity	-	-	(0.1)	-	-	-	(0.1)
Total	**0.3**	**(0.3)**	**0.2**	**(1.0)**	**(0.2)**	**-**	**(1.0)**

£ Millions	**2007**	2006
Deferred tax liabilities	**(1.4)**	(1.4)
Deferred tax assets	**0.4**	0.6
	(1.0)	(0.8)

The Group has an unrecognised deferred tax asset of £ 2.2 million (2006: £2.4 million). The eventual recognition of this asset is dependent of the assessment of the relevant subsidiaries tax position by the taxation authority in that jurisdiction. The tax asset will be brought to account on final acceptance of tax returns filed in the relevant jurisdiction.

27. Share capital and reserves

Called up share capital

£ Millions	**2007**	2006
Allotted and fully paid 19,242,296 ordinary shares (2006: 20,704,621)	27.2	0.2

27. Share capital and reserves (cont'd)

Called up share capital (cont'd)

Under the Singapore Companies Act Chapter 50, the concepts of par value and authorised share capital do not exist. Therefore, the share premium previously disclosed now forms part of the issued share capital.

The Company has one class of ordinary shares which carry no right to fixed income.

During the year, the movement relates to the cancellation of 1,462,325 treasury shares.

Share Premium

£ Millions	2007	2006
Balance at 31 December	-	27.0

Merger reserve

£ Millions	2007	2006
Balance at 31 December	0.2	0.2

Own shares

£ Millions	2007	2006
Balance at 1 January	**(6.3)**	(6.8)
Cancellation	**5.2**	-
Purchase of shares	**-**	(0.3)
Sale of shares	**0.8**	0.8
Balance at 31 December	**(0.3)**	(6.3)

As at 31 December 2007, the Group's Employee Share Ownership Plan (ESOP) held 219,331 (2006: 393,051) shares carrying a value of £327,134 (2006: £387,940) owned by the Trust. During the year, the movement relates to new issuance of shares, resulted a gain of £0.5 million and repayment of loans by the employees.

In the 2006 audited financial statements, the opening balance for the own shares was £6.7 million. A transfer of £0.1 million has been made from retained earnings to own shares for the shares owned by the Trust for the ESOP which was misclassified. During the financial year 2006, the Group purchases of £0.3 million shares resulted to an ending balance of £6.3 million.

Prior to the Company's Scheme of Arrangement becoming effective on 24 April 2007 the Company held 1,462,325 shares in treasury. It was not possible for these shares to participate in the Scheme of Arrangement. Therefore these 1,462,325 treasury shares were cancelled on 19 April 2007.

27. Share capital and reserves (cont'd)

Translation reserve

£ Millions	2007	2006 Restated
Restated balance at 1 January	(2.3)	(2.1)
Exchange differences on translation of foreign operations	(0.2)	(0.2)
Balance at 31 December	(2.5)	(2.3)

Retained earnings

£ Millions	2007	2006 Restated
Restated balance at 1 January	**10.6**	8.7
Tax on items taken directly to equity	**0.1**	0.1
Loss on treasury shares	**(0.3)**	(0.5)
Profit for the year	**3.4**	5.2
Cancellation of treasury shares	**(5.2)**	-
Purchase of own shares	-	0.3
Dividends paid	**(3.6)**	(3.2)
Balance at 31 December	**5.0**	10.6

In the 2006 audited financial statements, the opening balance for the translation reserve and retained earnings was £1.5 million and £5.0 million respectively. A transfer of £3.6 million has been made from the translation reserve to retained earnings. This amount relates to the misclassification between these two reserve accounts on the implementation of IFRS in 2005. Prior to the implementation of IFRS there was no requirement to disclose the translation reserve separately to the retained earnings figure. Included in this £3.6 million is £0.5 million of exchange difference which should have been charged to the income statement but was charged to the translation reserve in 2004 in error.

The minority shareholders are entitled to their share of any dividend declared. The dividend payable to Powersolve minority shareholders in 2007 was £0.2 million. In 2006 the dividend paid to minority shareholders of Powersolve was £0.5 million and MPI was £0.3 million. These amounts were not reflected in the 2006 income statement but have now been charged as a prior year adjustment.

In the 2006 audited financial statements, a transfer of £0.1 million has been made from the opening balance of retained earnings to own shares for the shares owned by the Trust which was misclassified.

28. Operating leases and other commitments

£ Millions	2007	2006
Minimum lease payments under operating lease recognised as an expense in the year	1.1	1.1

28. Operating leases and other commitments (cont'd)

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-operating leases which fall due as follows:

	2007	2006
Within one year	1.1	1.1
In the second to fifth years inclusive	1.5	2.5
After five years	0.2	0.5
Total	2.8	4.1

Operating lease payments represent rentals payable by the Group for certain of its office properties and warehouses.

On 1 November 2007 the Group entered into an agreement to acquire the remaining 50% of the issued share capital of its joint venture, Fortron XP Power (Hong Kong) Limited for a consideration of US$2.5 million in cash with effect from 1 January 2008. US$0.8 million (£0.4 million) has been paid on 1st November 2007 when the agreement was signed. US$1.7 million is the remaining commitment as at 31 December 2007.

On 6 December 2007 the Group entered into an agreement for the purchase of freehold land in Germany. The commitment under this agreement is approximately £0.2 million. As part of this agreement, the Group has committed itself to invest at least EUR1.3 million within 2 years in the development of the land plot.

29. Other current assets

£ Millions	**2007**	2006
Prepayments	**1.8**	1.0
Total	**1.8**	1.0

30. Long leasehold building

£ Millions	Long leasehold building
Cost	
At 1 January 2007	1.1
At 31 December 2007	**1.1**
Amortisation	
At 1 January 2007	0.1
At 31 December 2007	**0.1**
Carrying Amount	
At 31 December 2007	**1.0**
At 31 December 2006	1.0

The Group has entered into agreements to lease buildings ranging from 99 years to 999 years. Items of the long leasehold buildings are stated at cost less accumulated amortisation.

Amortisation is charged so as to write off the cost or valuation of the long term leasehold over their estimated useful lives using a straight line method at 2% annually.

The residual values, estimated useful lives and amortisation method of long leasehold buildings lives and amortisation method of long leasehold buildings are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

31. ESOP loan to employees

£ Millions	**2007**	2006 Restated
ESOP loan to employees	**3.0**	2.6
Total	**3.0**	2.6

The Group offers interest rate free loan to employees to purchase company shares under the deferred payment scheme. Under this scheme payment is deferred until the shares are sold. The shares cannot sell until four years from the date of acquisition. However, the loan becomes interest bearing after 10 years. The Group does not classify a portion of this loan under the current assets as the Company cannot predict when the employees will repay their loans.

In the 2006 audited financial statement, the ESOP loan to employees was misclassified under current assets - other receivables which now presented under non-current assets.

32. Pensions

The Group operates a defined contribution pension scheme for its employees in the United Kingdom. Contributions are charged to the profit and loss account as they become payable.

The total cost charged to income of £0.2 million (2006: £0.2 million) represents contributions payable to these schemes by the Group at a rate of 3% of salary of all members. As at 31st December 2007, all contributions for the year had been made.

In the USA the Group operates a defined contribution "401K Plan". The Group contributes an amount matching the employees' contribution up to a maximum of 2% of the employees' total earnings. The total cost charged to income of £0.1 million (2006: £0.1 million) represents the Group's "matching" contribution which will be paid in 2008.

In Singapore, the Group contributes to the Central Provident Fund, which is a defined contribution plan regulated and managed by the Singapore government. The Group's contribution to this defined contribution plan is charged to the profit and loss account in the period to which the contributions relate and the total cost charged to income was £0.01 million (2006: £nil).

33. Related party transactions

The ultimate controlling party of the Group is XP Power Limited

Transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, Fortron XP Hong Kong Limited, are disclosed below.

The Group has sold goods to the value of £78,293 (2006:£506,000) to and purchased £1,339,368 (2006: £802,000) from joint ventures. Purchases and sales were made at market price.

There was no amount payable to associates at 31 December 2007 and 2006. The amount receivable from joint ventures was £9,509 (2006: £170,000) and payable was £324,928 (2006: £3,000). All transactions were conducted on an arm's length basis.

The Group has paid rent of £15,000 (2006: £5,000) to Corryann Limited, a company of whom Larry Tracey is a director and 100% shareholder.

The amount outstanding is unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

As at 31 December 2007, the Company has provided interest rate free loan of £1,027,376 to 3 Directors for the deferred payment share scheme. The detailed information is provided for in the Directors' Remuneration Report on page 27.

33. Related party transactions (cont'd)

The remuneration of the Directors, who are the key management personnel of the Group is set out below for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in the Directors' Remuneration Report on pages 23 to 28.

	2007	2006
	£	£
Short-term employee benefits	**1,798,996**	1,159,297
Post employment benefits	**17,137**	8,411
Total directors' remuneration	**1,816,133**	1,167,708

34. Share based payments

Options have been granted under the Company's Unapproved and Approved Share Option Schemes. The numbers outstanding, subscription prices and exercise periods are as follows:

Number of shares	**Exercise Price**	**Exercisable from**	**Expiry Date**
30,000	£1.15	22 December 2000	22 December 2010
10,000	£1.15	21 August 2001*	21 August 2011
71,000	£3.425	21 August 2001*	21 August 2011
19,000	£3.20	31 January 2002*	31 January 2012
45,000	£2.925	1 May 2002*	1 May 2012
39,000	£1.15	24 August 2002*	24 August 2012
134,750	£1.75	24 August 2002*	24 August 2012
28,750	£2.675	2 February 2004*	2 February 2014
2,500	£4.50	15 February 2005*	15 February 2015
20,000	£4.11	21 April 2005*	21 April 2015
4,500	£3.20	14 December 2005*	14 December 2015
48,000	£3.90	28 September 2006*	28 September 2016
177,000	£5.073	26 April 2007*	26 April 2017
629,500			

*Approved option schemes, vesting in four equal annual instalments from the exercisable date.

34. Share based payments (cont'd)

	2007		2006	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of the year	646,500	236	847,750	225
Granted during the year	182,000	504	48,000	390
Forfeited during the year	(4,500)	397	(16,000)	150
Exercised during the year	(194,500)	202	(233,250)	235
Outstanding at the end of the year	**629,500**	**323**	**646,500**	**236**
Exercisable at the end of the year	395,813	233	561,375	216

The weighted average share price at the date of exercise for the share options exercised during the period was 510p. The options outstanding at 31 December 2007 had a weighted average exercise price of 323p, and a weighted average remaining contractual life of six years.

In accordance with IFRS 2, Share-based Payment, the Group has taken a charge of £ 0.1million to recognize the issuance of all employee share based options through 31 December 2007. The fair value of options was determined using the Black Scholes Model. The significant inputs into the model were share price of £2.86 and a weighted average exercise price of £4.72, standard deviation of expected share returns of 0.0223, the option life shown above and annual risk free interest rate of 3.6%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last 5 years.

35. Financial risk management

The Group's activities expose it to capital risk, currency risk (including both transactional and translational currency risk), interest rate risk, credit risk and liquidity risk. The Group seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

Capital risk

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

35. Financial risk management (cont'd)

Capital risk (cont'd)

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 27.

The Board reviews the capital structure of the business and considers the cost of capital and risks associated with each class of capital. The Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Currency risk

The Group operates in Asia, Europe and North America and its activities expose it to transactional risks resulting from changes in foreign currency exchange rates. The Group monitors and manages these transactional foreign exchange risks relating to the operations of the Group through internal reports analysing major currency exposures. Where possible the Group seeks to offset exposures by matching monetary asset and liability exposures in like currencies against each other often using its bank facilities to square off or reduce exposures. The Group does not deliberately take positions in currencies in anticipation of foreign exchange movements. On occasion the Group uses foreign exchange contracts or other financial derivatives to hedge foreign exchange exposures.

Forward exchange contracts were used in late 2006 to lock in the effects of a rapidly weakening US Dollar. As of the end of 2007, the Group has a total notional principal amount of outstanding forward foreign exchange contracts of £0.9 million.

In addition the Group is exposed to translation risk when the results of its various operations are converted from their local functional currency to Sterling, the Group's reporting currency. In particular a significant proportion of the Group's revenues and earnings are derived in US Dollars. The Group is therefore exposed to risk when these US Dollar revenue streams are translated into Sterling for Group reporting purposes. The Group regards this as a fundamental consequence of operating in markets which are dominated by US Dollar transactions. The Group does not hedge this translational risk as there is no underlying mismatch of foreign currencies as the translation is merely performed for reporting the Group's results in Sterling.

35. Financial risk management (cont'd)

Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

£ Millions	**GBP**	**EUR**	**USD**	**OTHERS**	**TOTAL**
At 31 December 2007					
Financial assets					
Cash and cash equivalents	1.0	0.5	1.2	0.9	3.6
Trade and other receivables	10.4	2.9	7.6	1.2	22.1
Sub-total	**11.4**	**3.4**	**8.8**	**2.1**	**25.7**
Financial liabilities					
Borrowings	(3.3)	(0.6)	(25.5)	(2.4)	(31.8)
Other financial liabilities	(4.8)	(0.5)	(6.4)	(1.1)	(12.8)
Sub-total	**(8.1)**	**(1.1)**	**(31.9)**	**(3.5)**	**(44.6)**
Net financial liabilities	**3.3**	**2.3**	**(23.1)**	**(1.4)**	**(18.9)**
Less: financial (liabilities)/assets denominated in the respective entities' functional currencies	3.8	0.9	(19.4)	(1.5)	(16.2)
Currency exposure	**(0.5)**	**1.4**	**(3.7)**	**0.1**	**(2.7)**

The Group has currency exposure on the intercompany transactions with the overseas subsidiaries. Hence, the management has included these transactions in the above analysis.

£ Millions	**GBP**	**EUR**	**USD**	**OTHERS**	**TOTAL**
At 31 December 2006					
Financial assets					
Cash and cash equivalents	0.6	1.0	1.2	1.3	4.1
Trade and other receivables	7.3	1.6	7.8	0.7	17.4
Sub-total	**7.9**	**2.6**	**9.0**	**2.0**	**21.5**
Financial liabilities					
Borrowings	(11.2)	(1.3)	(5.0)	(4.5)	(22.0)
Other financial liabilities	(7.4)	(0.6)	(7.2)	(0.9)	(16.1)
Sub-total	**(18.6)**	**(1.9)**	**(12.2)**	**(5.4)**	**(38.1)**
Net financial liabilities	**(10.7)**	**0.7**	**(3.2)**	**(3.4)**	**(16.6)**
Less: financial (liabilities)/assets denominated in the respective entities' functional currencies	(10.7)	2.1	(1.5)	(0.7)	(10.9)
Currency exposure	**-**	**(1.4)**	**(1.7)**	**(2.7)**	**(5.7)**

35. Financial risk management (cont'd)

Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

At 31 December 2007 **£ Millions**	**GBP**	**EUR**	**USD**	**OTHERS**	**Total**
Financial Assets					
Cash and cash equivalents	-	-	0.3	0.1	0.4
Trade and other receivables	3.5	1.9	1.3	0.7	7.4
Subtotal	**3.5**	**1.9**	**1.6**	**0.8**	**7.8**
Financial Liabilities					
Other financial liabilities	(4.5)	(0.5)	(6.0)	(0.4)	(11.4)
Subtotal	**(4.5)**	**(0.5)**	**(6.0)**	**(0.4)**	**(11.4)**
Net financial (liabilities)/assets	**(1.0)**	**1.4**	**(4.4)**	**0.4**	**(3.6)**
Less: financial (liabilities)/assets denominated in the respective entities' functional currencies	-	-	(4.4)	-	(4.4)
Currency exposure	**(1.0)**	**1.4**	**-**	**0.4**	**0.8**

If the US Dollar and Euro change against Sterling by 10% (2006: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

£ Millions	**2007** **Profit after tax**	2006 Profit after tax
Group		
EUR against GBP		
- strengthened	(0.1)	0.1
- weakened	0.1	(0.1)
USD against GBP		
- strengthened	0.4	0.2
- weakened	(0.4)	(0.2)

35. Financial risk management (cont'd)

Interest Risk

On 6 February 2008 the Group entered into a three year interest rate swap agreement to swap its variable US$ LIBOR interest rate on US$31.9 million for a fixed rate of interest of 3.23% in order to manage exposure to interest rate movements. The Group pays a borrowing margin of 1.0% to 1.5% depending on covenant performance on top of the fixed rate of 3.23%.

The remainder of the Group's borrowings are at variable interest rates and are denominated in a number of currencies including Euros, Singapore Dollars, Sterling, Swiss Francs and US Dollars. If the average interest rates on these borrowings increase/decrease by 0.5% (2006: 0.5%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by £70,000 (2006: £62,000) as a result of higher/lower interest expense on these borrowings.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. For trade receivables the Group adopts a policy of only dealing with customers of appropriate credit history or rating. For other financial assets, the Group adopts the policy of only dealing with high credit quality counterparties.

The Group's business is highly fragmented reducing the credit exposure to any one customer. At the balance sheet date no trade receivable represented more than 5% of the total trade receivable balance.

The Group does not hold any collateral and the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments on the balance sheet.

The credit risk for trade receivables by geographic area is as follows:

£ Millions	**2007**	2006
By geographical areas		
Europe	5.3	6.5
US	5.4	6.8
Asia	0.7	0.3
	11.4	**13.6**

£ Millions	**2007**	2006
By type of customers		
Non-related parties	11.4	13.6
	11.4	**13.6**

35. Financial risk management (cont'd)

Credit risk (cont'd)

The age analysis of trade receivables past due but not impaired is as follows:

£ Millions	**2007**	2006
Past due 0 - 2 months	4.2	5.3
Past due 3 - 4 months	0.4	0.9
Past due over 4 months	0.1	0.6
	4.7	**6.8**

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

£ Millions	**2007**	2006
Gross amount	0.3	0.5
Less: Allowance for impairment	(0.2)	(0.3)
	0.1	**0.2**
Beginning of financial year	(0.3)	(0.2)
Allowance made	-	(0.2)
Allowance utilised	0.1	0.2
End of the financial year	**(0.2)**	**(0.2)**

Liquidity Risk

The table below analyses the maturity profile of the Group and Company's financial liabilities at the balance sheet date based on contractual undiscounted cash flows.

£ Millions	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2007					
Trade and other payables	8.0	-	-	-	8.0
Borrowings	2.7	6.6	18.2	-	27.5
Total	**10.7**	**6.6**	**18.2**	-	**35.5**

£ Millions	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2006					
Trade and other payables	9.6	-	-	-	9.6
Borrowings	7.6	-	6.9	7.5	22.0
Total	**17.2**	-	**6.9**	**7.5**	**31.6**

The Group and Company manage the liquidity risk by maintaining sufficient cash and bank facilities to enable them to meet their normal operating commitments.

36. Subsequent events

On 6 February 2008 the Group entered into a three year interest rate swap agreement to swap its variable US$ LIBOR interest rate on US$31.9 million for a fixed rate of interest of 3.23% in order to manage exposure to interest rate movements. The Group pays a normal borrowing margin of 1.0% to 1.5% depending on covenant performance on top of the fixed rate of 3.23%.

37. New or revised accounting standards and interpretations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group and company have not early adopted them:

IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the Board. As the financial report contains both the group consolidated and parent company financial statements prepared under IFRS, the company will not be required to present segment information.

IFRS 3 (Revised in 2008), 'Business Combinations' (effective for business combinations occurring on or after annual reporting periods beginning on or after 1 July 2009). The revised standard introduces significant changes to the accounting of business combinations, affecting the income statement, both at the acquisition date and post acquisition, and require greater use of fair values. The Group will apply IFRS 3 (Revised) from 1 January 2010.

Amendment to IAS 27, 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests (previously known as minority interests) to be recorded in equity if there is no change in control after the transaction. When the transaction results in a lost of control, any remaining interest in the entity is remeasured to its fair value and a gain/loss is recognised in the income statement. The Group will apply IAS 27 (Amended) from 1 January 2010. Currently, the Group record the effects of such transactions in goodwill and gain/loss in the income statement for acquisitions and disposals of non-controlling interests respectively.

37. New or revised accounting standards and interpretations (cont'd)

Amendment to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2009). This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions and are to be included in the grant date fair value of the share-based payment transactions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. i.e., acceleration of the expense based on grant date fair value. The Group will apply the amended IFRS 2 from 1 January 2009. Currently, the Group operates an employee share option scheme and the scheme consists mainly of service and performance conditions. As such, the amended standard is not expected to have any significant impact to the Group.

The following interpretations to existing standards have been published and are mandatory for the group and company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group or company's accounts.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group or company's operations because none of the group's companies provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group or company's operations because none of the group's companies operate any loyalty programmes.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the group or company as there are no qualifying assets.

37. New or revised accounting standards and interpretations (cont'd)

IAS 32 and IAS 1 Amendment "Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2009). The amendment requires the following to be classified as equity instruments of the issuer: (i) puttable financial instruments that entitle the holder to a pro rata share of the issuer's net assets upon liquidation of the issuer; and (ii) financial instruments that include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets on liquidation. The Group will apply the amendment from 1 January 2009. [As the Group does not have financial instruments that are addressed within the amendments, the amendment does not have any impact to the Group.

38. Other information

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of XP Power Limited on 3 March 2008.

XP Power Limited
Company Balance sheet
For the financial year ended 31 December 2007

£ '000	NOTE	2007
ASSETS		
Current Assets		
Cash and cash equivalents	4	**444**
Trade and other receivables	5	**6,604**
Other current assets	6	**814**
Inventories	7	**3,714**
Total current assets		**11,576**
Non-current assets		
Investments in subsidiaries	3	**29,786**
Property, plant and equipment	8	**224**
Deferred income tax assets	11	**22**
Total non-current assets		**30,032**
Total assets		**41,608**
LIABILITIES		
Current liabilities		
Trade and other payables	9	**9,877**
Total current liabilities		**9,877**
Non-current liabilities		
Borrowings	10	**1,500**
Total non-current liabilities		**1,500**
Total liabilities		**11,377**
NET ASSETS		**30,231**
EQUITY		
Share capital	12	**29,786**
Retained earnings	12	**445**
TOTAL EQUITY		**30,231**

XP Power Limited
Notes to the Company Financial Statements
For the financial year ended 31 December 2007

1. General Information

XP Power Limited (the "Company") is listed on the London Stock Exchange and incorporated and domiciled in Singapore. The address of its registered office is 138 Robinson Road #17-00, The Corporate Office, Singapore 068906.

The Company was incorporated on 12 February 2007. On 24 April 2007 the Company became the holding company of XP Power plc pursuant to a scheme of arrangement under section 425 of the Companies Act 1985 of the United Kingdom ('the Scheme of Arrangement').

The nature of the Company's operations and its principal activities are manufacturer, providing power supply solutions and investment holding company.

2. Basis of accounting policies

The principal accounting policies are set out in Note 2 under the Group Consolidated Financial Statements

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The Company had no significant assets, liabilities or contingent liabilities of its own at the time that the Scheme of Arrangement took effect, and no cash consideration was paid in respect of the business combination. The cost of combination is deemed to be nil. As the Company was incorporated in 2007, no comparative of prior year is presented in the financial statements.

3. Investment in Subsidiaries

£ '000	**2007**
Cost at carrying value	
At 1 January 2007	**-**
Additions	**29,786**
At 31 December 2007	**29,786**

3. Investment in Subsidiaries (cont'd)

Name of Subsidiary	Place of incorporation Ownership (or registration) and operation	Proportion of voting power held %	Proportion of Ownership %	Auditor of subsidiaries
XP Power Plc	UK	100	100	PricewaterhouseCoopers
XP Power Singapore Holdings Pte Ltd	Singapore	100	100	PricewaterhouseCoopers

4. Cash and cash equivalents

£ '000	2007
Cash at bank	**444**
Total	**444**

The Company's cash at bank is denominated into the following currencies:

	GBP £ '000	USD £ '000	EUR £ '000	JPY £ '000	SGD £ '000	TOTAL £ '000
Cash at bank	25	340	47	10	22	444

The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

5. Trade and other receivables

£ '000	2007
Trade receivables	**736**
Amount receivable from Group companies	**5,867**
Total	**6,603**

The average credit period taken on sales of goods is 29 days. No interest is charged on the outstanding receivable balance.

The Directors consider that the carrying amount of trade and other receivables approximate their fair value.

The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

6. Other current assets

£ '000	**2007**
Deposit	**67**
Other receivables	**748**
Total	**815**

The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

7. Inventories

£ '000	**2007**
Goods for resale	**3,714**

The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

8. Property, plant and equipment

£ '000	Plant and machinery	Motor vehicles	Office equipment	Buildings	Total
Cost					
At 1 January 2007	-	-	-	-	-
Additions	83	8	97	76	264
At 31 December 2007	**83**	**8**	**97**	**76**	**264**
Depreciation					
At 1 January 2007	-	-	-	-	-
Charge in the year	6	-	16	18	40
At 31 December 2007	**6**	**-**	**16**	**18**	**40**
Carrying Amount					
At 31 December 2007	**77**	**8**	**81**	**58**	**224**

The Group has pledged all assets as collateral to secure banking facilities granted to the Group.

9. Current liabilities

£ '000	2007
Trade payables	**1,575**
Amount payable to Group companies	**7,244**
Other creditors	**1,058**
Total	**9,877**

Trade and other creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

10. Non-current liabilities

£ '000	2007
Amount payable to Group companies	**1,500**
Total	**1,500**

The Company borrows from subsidaries at an interest rate of 1.5% above LIBOR and repayable by 2011.

11. Taxation

£ '000	2007
Deferred tax asset	**22**
Total	**22**

As at 31 December 2007, the Company had unutilised tax losses and capital allowances of approximately £230,406.

These are available for offset against future taxable profits, subject to agreement of the tax authorities and compliance with the relevant provisions of the Singapore tax legislation.

12. Share capital

Share capital

£ '000	**2007**
Allotted and fully paid 19,242,296 ordinary shares	29,786

Retained earnings

£ '000	**2007**
Balance at 1 January	-
Dividends paid	(1,712)
Profit for the year	2,157
Balance at 31 December	445

Five Year Review

	IFRS								UK GAAP	
	2007		2006		2005		2004		2003	
	£ Millions		£ Millions		£ Millions		£ Millions		£ Millions	
			Restated				Restated			
Results										
Revenue	66.3		78.7		69.5		66.8		59.4	
Profit from operations	6.7		9.3		8.4		6.5		2.7	
Profit before tax	5.0		8.0		7.6		5.9		2.1	
Assets employed										
Non-current assets	39.7		39.2		33.6		27.9		26.4	
Current assets	27.3		30.0		30.1		23.3		22.6	
Current liabilities	(13.2)		(21.5)		(32.0)		(16.8)		(12.0)	
Non-current liabilities	(24.0)		(18.3)		(4.5)		(8.5)		(10.6)	
Net assets	29.8		29.4		27.2		25.9		26.4	
Financed by										
Equity	29.6		29.4		27.2		25.9		26.3	
Minority interests	0.2		-		-		-		0.1	
	29.8		29.4		27.2		25.9		26.4	
Key statistics										
Earnings per share	17.9		27.9		30.7		20.5		5.0	
Diluted earnings per share	17.8		27.5		30.1		20.1		4.9	
Share price in the year										
High	528.4	p	486.5	p	526.0	p	466.0	p	250.0	p
Low	235.3	p	327.0	p	279.0	p	218.0	p	73.5	p

XP Power

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