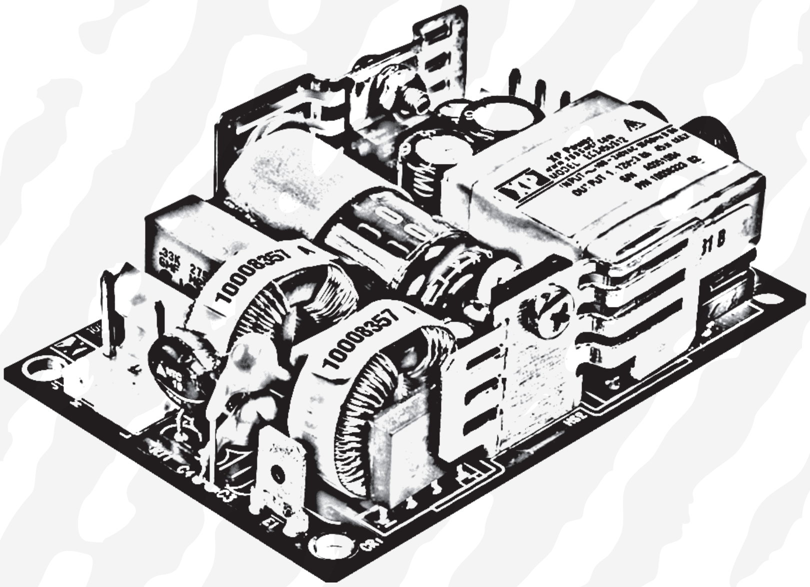
Outstanding Performance

World Leading Critical Power Control Solutions

XP Power Annual Report & Financial Statements for the year ended 31 December 2010



XP Power

Annual Report & Financial Statements

for the year ended 31 December 2010

Stock code: XPP

Our Value Proposition

XP Power reduces the production and running costs of our customers' equipment enabling them to gain a competitive advantage

Our Mission

Inspiring our people to be *The Experts in Power* delivering genuine value to our customers

XP Power is a leading international provider of essential power control solutions. Power direct from the electricity grid is unsuitable for the equipment which it supplies. XP Power designs and manufactures power converters — components which convert power into the right form for our individual customers' needs, allowing their electronic equipment to function. XP Power supplies the healthcare, industrial and technology industries with this mission critical equipment. Significant, long term investment into research and development means that XP Power's products frequently offer significantly improved functionality and efficiency.

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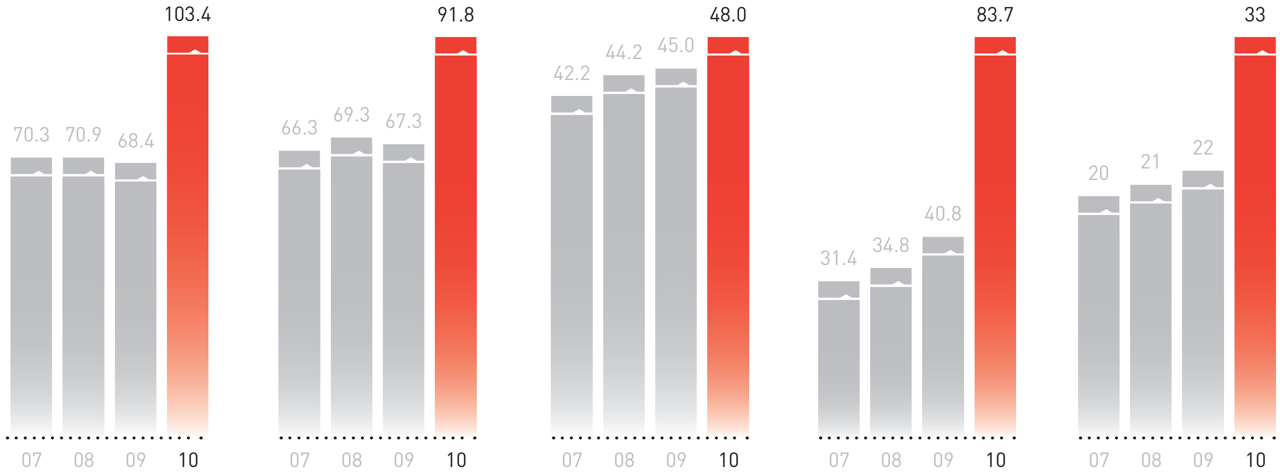
XP **Highlights**

ORDERS (£ MILLIONS)	REVENUE (£ MILLIONS)	GROSS MARGINS (%)	DILUTED ADJUSTED EARNINGS PER SHARE (PENCE)	DIVIDENDS (PENCE)
+51%	**+36%**	**+300BP**	**+105%**	**+50%**
at £103.4m	at £91.8m	at 48.0%	at 83.7p	at 33p
2009: £68.4m	2009: £67.3m	2009: 45.0%	2009: 40.8p	2009: 22p



Our Investment Proposition

- Exposure to a broad cross section of end markets — Technology, Industrial and Healthcare — but with no exposure to consumer electronics.
- A diverse customer base of over 5,000 active customers, with no one customer accounting for more than 5% of revenue.
- Powerful proprietary customer relationship management tools which allow the efficient management of our customer base and identification of pricing and product trends that enable the development of appropriate, innovative new products.
- An established pipeline of new class leading "Green Power" products which operate at high efficiency.
- Attractive margins and lower capital investment requirements when compared to many manufacturing industries, resulting in strong free cash flow and gross margins that are amongst the highest in the industry.
- Revenue annuity — although design cycles are often long, once our power converters are approved for use in our customer's end equipment XP Power enjoys a revenue annuity for the lifetime of the customer's equipment, which is typically five to seven years.

Our Strategy

We have applied a consistent strategy of moving up the value chain, powered by:

- Development of a strong pipeline of leading-edge products
- Expansion of high efficiency ("Green Power") product offering
- Targeting key accounts and increasing the penetration of existing key accounts
- Enhancing our value proposition to our customers by manufacturing our own products
- Increasing the high margin contribution of own designed/manufactured products

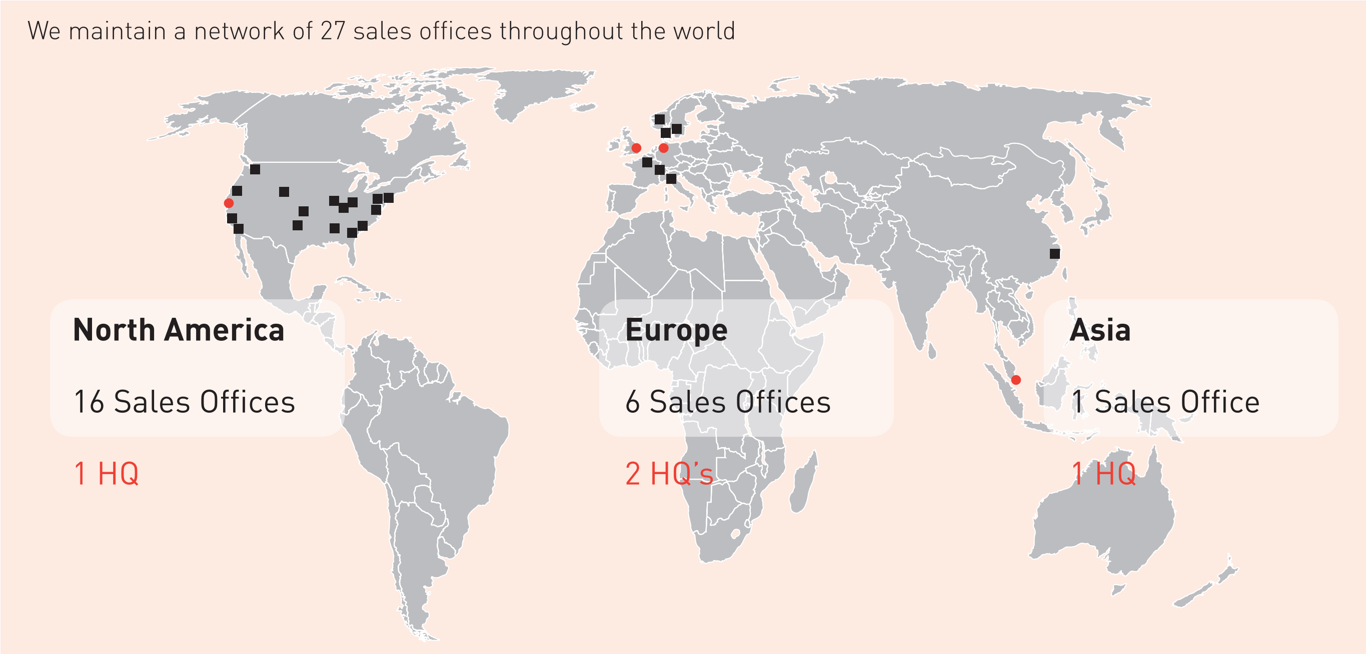
"In 2010 we have established a solid foundation for future revenues and earnings growth. Our value proposition is supported by the expertise and efficiency of over 200 engineering support staff."

Larry Tracey, Executive Chairman

Growing Presence in a Global Market

Local Support — Global Presence

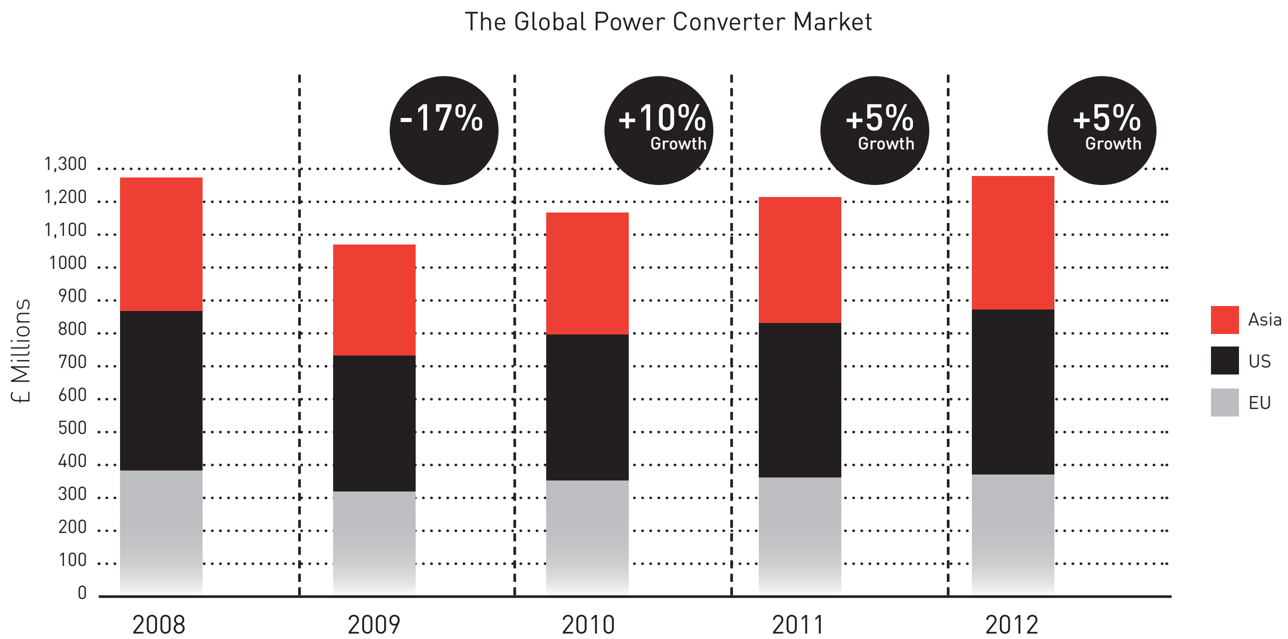
We maintain a network of 27 sales offices throughout the world



XP Power's global sales network provides major customers with local face to face support and rapid response times. We have sixty direct sales engineers, the largest such sales force in our industry and a key advantage over our competitors, many of whom employ indirect sales channels such as Reps or Distributors. This factory direct sales force allows our customers' direct access to all facets of the business right from engineering and design through to the factory and logistics.

Our proprietary knowledge management tools allow us to closely manage our customers, many of whom have engineering capabilities on one continent and manufacturing on another, on a global basis.

A Growing Market



Source: XP management/Micro-Tech Consultants

Following a decline in 2009 the market is forecast to grow 17% over the next four years.

"Following a significant decline in 2009 the worldwide market for XP Power's products is forecast to be around £1.2 billion in 2011, with industry analysts expecting it to grow by approximately 17% over the next four years."

Our Position

Whilst the global power converter market appears highly fragmented, we compete with around fifty worldwide manufacturers of power solutions. Our global market share in 2010 was approximately 8%, an increase of 23% over our 6.5% share in 2009. Across Europe we have around 12% of the market and 10% in North America, whilst across Asia we only have approximately 2% of the market. This illustrates the number of significant commercial opportunities that remain open to XP Power.

Technology Driven Demand

Major blue chip customers demand power converters that are highly reliable and leading edge in terms of size and energy efficiency. Consistent investment in research and development has enabled XP to establish a strong pipeline of new products in response to market demand.

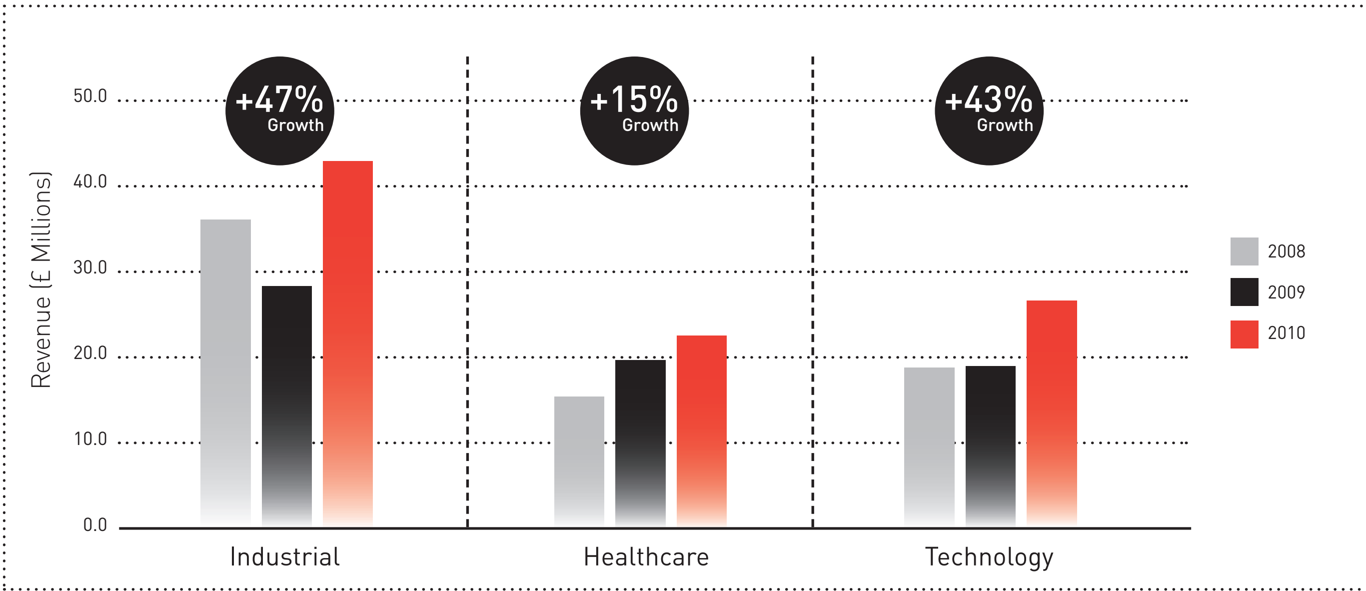
Blue Chip Customers

XP Power's continually evolving portfolio of market leading products combined with the establishment of a low cost manufacturing capability has enabled the Company to penetrate new blue chip customers which should drive revenue growth in future years.

Competitive Advantage

XP Power supplies many major international OEMs; giving the Group a competitive advantage over both its smaller competitors, who do not have the scale and geographic reach to serve this type of global customer, and over its larger competitors, who often lack the operational flexibility required to provide excellent service and speed.

Three Year Revenue Trend by Industry Sector



Following a decline in the industrial and technology sectors in 2009 all three business segments recovered strongly in 2010.

Growth Drivers

"Green Power"

The requirement from customers and legislation for products to consume and waste less energy drives demand for more efficient power converters.

Innovation

Our customers' competitive need to launch new products offering increased productivity and functionality whilst reducing harmful environmental impacts.

New Products

The diverse product requirements of XP Power's target market provide opportunities to enter new niches and provide flexible solutions.

Penetration

Our blue chip customer base provides good opportunities to win additional new product programs from their multiple engineering teams.

Healthcare

A global population that is both increasing and ageing, coupled with increased legislation, is driving the deployment of more healthcare devices, particularly in the home.

Products

All electronic equipment needs a power converter to be able to function — no electronic equipment can be powered directly from the mains. An electronic power converter is required to convert the power output from the mains wall socket to the usable power which allows the equipment to work. XP Power is one of the world's leading developers and manufacturers of these critical electronic hardware components.

XP Power's customers are constantly trying to differentiate their products from those of their competitors through enhanced performance and functionality. In turn, this dynamic creates demand for power converters that can satisfy a very wide range of technical requirements.

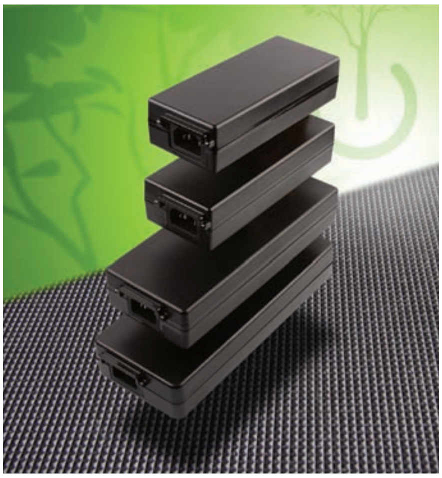
"XP Power has the broadest, most up-to-date portfolio of products in the industry."

A broad, and continually evolving, product portfolio is critical because different market sectors require different features in their power converters. The technology sector will often require high power density and leading efficiency so that the power converter can be as small as possible. The industrial sector frequently requires ultra high reliability within harsh environmental conditions. Healthcare has special legislation concerning power conversion which relates to the stringent safety requirements of powering products which are in contact with the patient.

CCB250 achieves 95% efficiency

Class leading efficiency

The CCB250 achieves up to 95% efficiency, dramatically cutting the heat generated in medical, IT and industrial systems. Rival products typically operate at 90% maximum efficiency, with 10% of the input energy being converted to waste heat that needs to be removed. The 5% improvement in efficiency offered by the CCB250 means that it dissipates only half the heat, reducing or eliminating the requirement for heatsinks, or fans for forced-air cooling.



AHM Series meets Energy Star Level V

Green mode externals

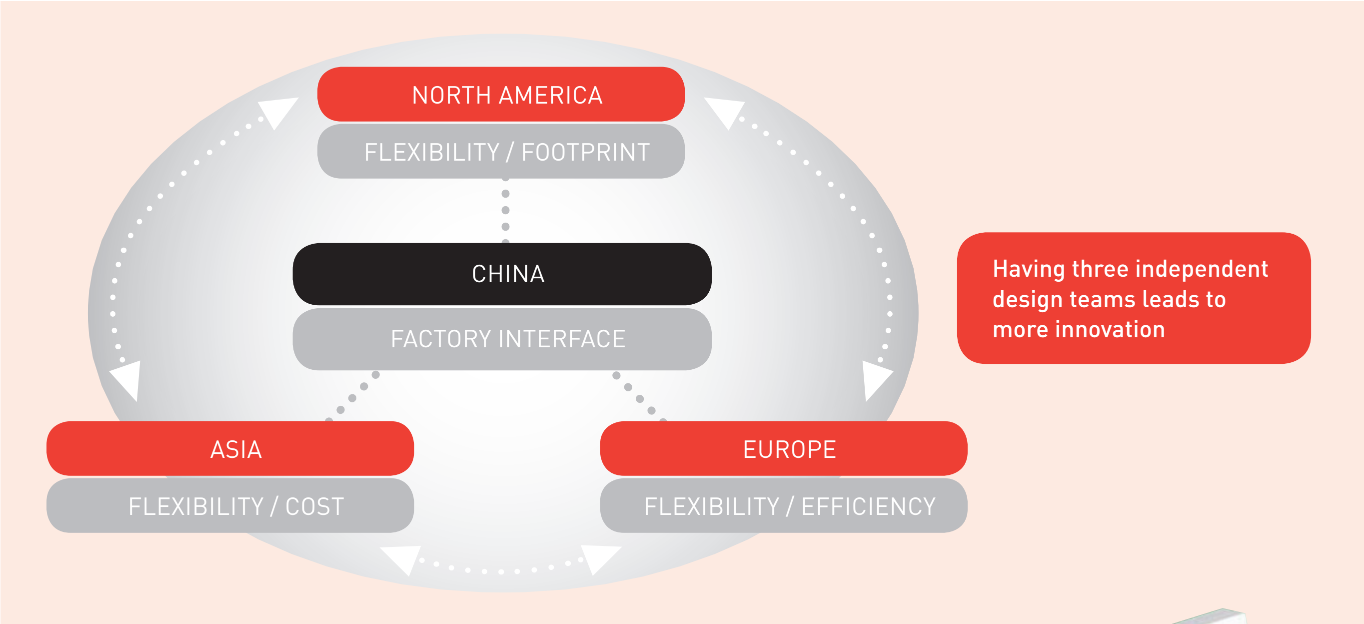
Combining very high efficiencies, low standby power and Energy Star Level V compliance, the AHM series of external power supplies are ideal for all types of portable equipment. Suitable for both IT and medical equipment, the units provide single output voltages with power ratings from 85 to 250 watts. These highly efficient units operate at up to 94% efficiency and comply with the latest energy efficiency standards such as Energy Star Level V, EISA2007 and CEC2008 in the United States and the ErP Directive across Europe.

ECS60, world's smallest 60 watt supply

Redefining industry expectations

Believed to be the world's smallest open frame 60W AC-DC power supply, the ECS60 sets a new benchmark at this power level. Measuring just 2 × 3 inches, this single output power supply is 25% smaller than the current industry standard of 2 × 4 inches. All models have a no load power of less than 0.5W, helping the end equipment comply with internationally recognized energy efficiency standards. In addition, these convection cooled units are highly efficient, typically 90%, resulting in a minimum of 30% less waste heat to dissipate.

Research and Development



Having three independent design teams leads to more innovation

Three Continental Design Teams

Having three continental design teams rather than one central team produces more innovation as the engineers are not constrained by one design mantra. Our key design engineers attend our twice yearly Global Engineering Meeting to encourage cross pollination and share successes, ideas and design tips. This meeting is held at our China factory to facilitate the smooth transition of new products into manufacture.

Consequently, the XP Power research and development function has developed, and continues to improve, the broadest product portfolio in its industry. XP Power's market leading research and development function and long term customer relationships mean that it is capable of successfully identifying and addressing its customers' specific needs promptly and efficiently.

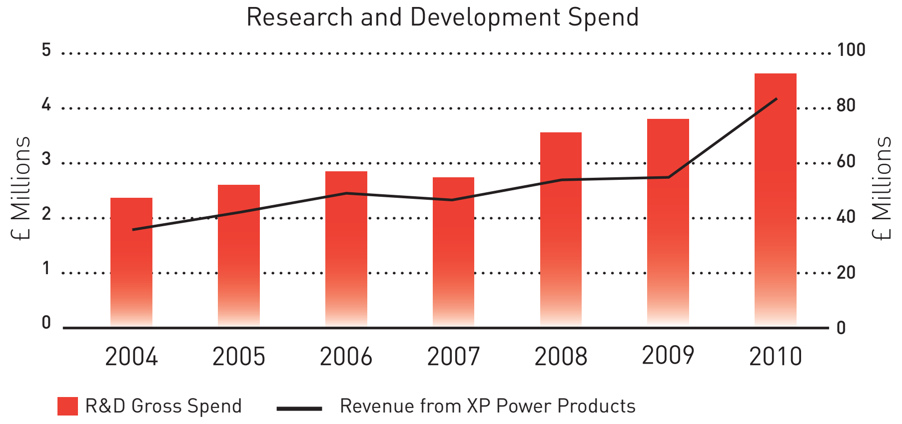
The flexibility of our standard products makes them suitable for easy modification to meet our target customers' applications. This extra design capability is a competitive advantage over the majority of XP's peer group.

Research and Development Spend

Even during the worldwide downturn of 2009, XP Power consistently maintained its R&D spend on new product development; the fruits of this investment are now being seen, with more than 100 product families in the XP Power 2011 Power Supply Guide — the broadest and freshest product range in the industry.

We believe we have the most efficient product design team in our industry with the lowest costs per new product developed.

The new XP Power 2011 Power Supply Guide



Continued investment in R&D has created a market leading product portfolio

"We believe we have the most efficient product design team in our industry with the lowest costs per new product developed."

State-of-the-Art Manufacturing

Setting New Standards in Reliability

Our existing and potential blue chip customers demand the highest standards of quality and reliability. The power converters we design into their end applications are mission critical. Field failure of critical medical and expensive industrial equipment is not acceptable. Our manufacturing capabilities ensure XP provides its customers with the product reliability they demand.

State-of-the-Art Manufacturing Capabilities

Our state-of-the-art manufacturing facility located near Shanghai, China, opened in June 2009. It uses class leading manufacturing techniques and equipment. This starts from rigorous supplier selection and incoming component inspection through to automatic testing of the final product. Throughout the manufacturing process we make use of the latest capital equipment to improve throughput and enhance product reliability. This includes the latest automatic pick and place technology, computer controlled wave soldering, automatic optical inspection, in process testing, full product burn-in and then, finally, full function automatic testing of the completed product.

Customer audits of this facility have been very successful, with more than one key customer commenting that it is the best power converter factory that they have visited. Our manufacturing capability is instrumental in winning more business with key blue chip customers and this is reflected in our financial results. Our healthcare customers have been particularly impressed and we now have a number of these companies asking us to enter strategic supplier agreements.

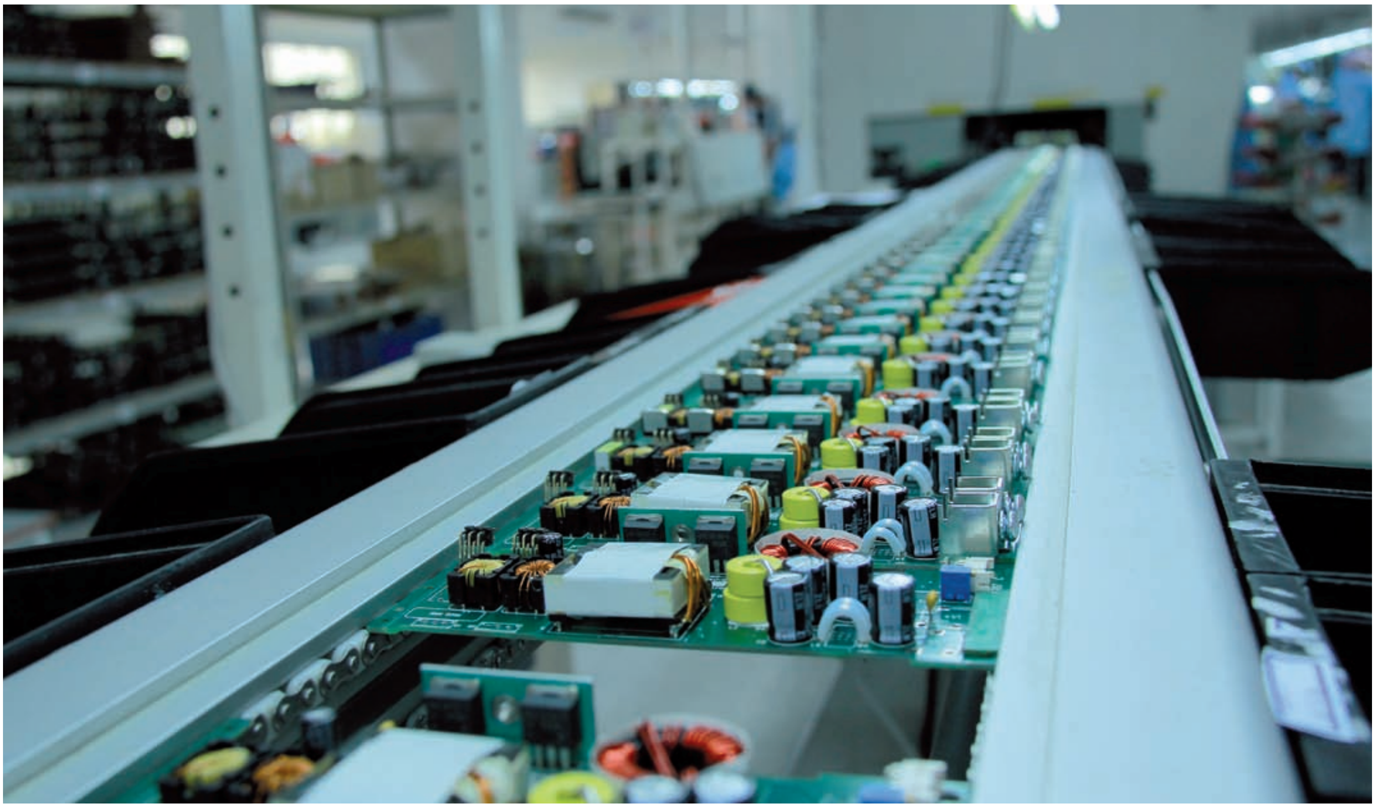
Control of the Supply Chain

It is important to many of our customers that we have complete control of our supply chain and, in particular, the components that are incorporated into our products. Outsourcing to subcontractors is simply not acceptable to our key customers. Their concerns centre on the risk that components or processes are changed to reduce costs without their knowledge, affecting the reliability or safety of their critical end applications. The power converter is not only essential to the working of the end equipment — if it fails the equipment fails — it is also safety critical, isolating the users of the equipment from the dangerous high voltage mains supply. For these reasons the leading blue chip customers have a strong preference to deal with true manufacturers in our industry rather than design houses that outsource these key processes.

More than one key customer has commented: “it is the best power converter factory that I have visited”

We are continuing down the path of further vertical integration and during the year commenced production of our own magnetic components, further enhancing our value proposition to our key customers. Not only does this allow us further control over our supply chain but it also allows quick turn prototypes to be provided to our design teams to shorten our development cycles.

In 2005 we recognised that moving into manufacturing would increase our value proposition to these customers and allow us to capitalise on the portfolio of leading edge products we had developed. Our performance in 2009 and now again in 2010, particularly in the healthcare sector, is a validation of the success of this strategy.



State of the art manufacturing enhancing reliability

Integrated Product Development and Manufacturing

There are further benefits to our evolution into a manufacturer. Our manufacturing engineering team is able to provide detailed feedback regarding the manufacturability of a product during the product design stage. This not only allows the product to be manufactured at lower cost but also gives the opportunity for reliability to be designed into the product. The result is higher reliability which customers are willing to pay a premium for, and hence increased margins.

Capital Investment

Wherever possible we make use of technology and capital equipment to improve our processes and efficiency. Whether this be computer controlled screens to display manufacturing operating instructions, advanced automated optical inspection equipment or state-of-the-art pick and place machines, the result is not only faster product throughput, resulting in lower cost, but even more importantly, as explained above, improved product reliability. The investments we have made in this area are already paying back as we add to an already impressive list of blue chip customers.

Capacity Expansion — Vietnam

As previously reported, the Group has purchased a site in Vietnam which is capable of accommodating two facilities the size of our existing Chinese facility. Work began on Phase I of the new Vietnamese facility at the end of 2010 and it is expected that the facility will be completed early in 2012. Phase I will double our available manufacturing capacity. Phase II will treble our existing capacity and will be bought on stream as required.

In addition, as a new-build plant, the new Vietnamese manufacturing facility will be the most environmentally friendly in the industry, refer to Environmental Report on pages 8 to 11.

"Phase I will double our available manufacturing capacity."

The new Vietnamese facility — Phase I due for completion in early 2012

Our Commitment to the Environment

"XP Power has always placed great emphasis on minimising the impact its activities have on the environment."

Environmental Committee

XP Power has always placed great emphasis on minimising the impact its activities have on the environment. This was formalised with the establishment of our Environmental Committee in 2009. The committee immediately set a goal of becoming the leader in our industry in addressing the effect our operations have on the environment. This will both ensure we fulfil our corporate social responsibility obligations and present a major business opportunity in its own right as customers around the world look to improve their own environmental performance through the adoption of new, more efficient power conversion products. Significant progress has been made during 2010.

80% of Revenues now covered by ISO 14001

The Group's key sites have long maintained policies and practices to reduce energy and material consumption whilst also recycling wherever practicable. A number of our key sites have also gained the ISO 14001 Environmental Certification demonstrating our commitment to environmental responsibility. Our US sites have now also attained ISO 14001 Environmental Certification meaning that 80% of our revenues are now covered by this standard.

Electronic Industry Citizenship Coalition (EICC)

The Electronic Industry Citizenship Coalition (EICC) is an industry organisation of leading electronics manufacturers which promotes an industry code of conduct for global electronics supply chains to improve working and environmental conditions. It represents the highest recognised standard for our industry dealing with environmental and corporate social responsibility issues. The code of conduct not only addresses environmental issues but also the treatment of employees and their well being, health and safety and business ethics.

In our 2009 report we set out the objective of achieving EICC Applicant Membership in 2010. I am pleased to report that we became an Applicant Member of the EICC in June 2010. We have adopted the EICC Code of Conduct and are working with our key suppliers to ensure they too are compliant with the Code.

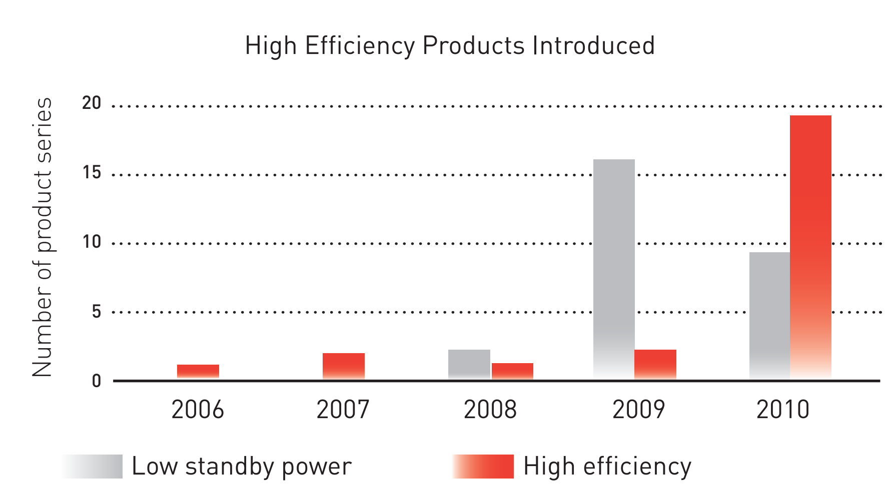
We are actively engaged with the EICC, with XP Power now represented on the EICC's Environmental Sustainability Working Group by Lynne Summers. Lynne is also a member of the associated Water and Training sub-groups.

The Power Conversion Industry

While we have initiatives in place to reduce energy consumption in our operations, recycle and utilise communication technologies to reduce the need for travel, XP Power itself plays an interesting and pivotal role in the energy chain. The power conversion products we design and manufacture are the "bridge" between the electricity utility companies and the consumer, converting the energy from the grid and providing it in a form that can be used by electronic equipment. XP Power is therefore uniquely positioned to make a real contribution to energy efficiency and emission reduction and is leading the power conversion industry in terms of product efficiency.

Historically, electronic power conversion has been a notoriously inefficient process. The original linear transformers still in use today in some sectors are only 50% efficient with half the energy they convert being wasted as heat. XP Power does not operate in this area, specialising instead in modern "switching" techniques, enabled by semiconductor technology, which allow power converters to be much smaller and more efficient. Modern power converters have typical efficiencies of 80%. While this is a major improvement over legacy products, this still represents a 20% wastage. XP Power is therefore committed to developing technologies to reduce such wastage to a minimum.

The XP Power Environmental Committee, from left to right Duncan Penny, Adeline Teh, David Hempleman-Adams, Lynne Summers, Hiren Shah



A significant increase in 'Green' product introductions in recent years.

XP Power and Efficient Energy Conversion

XP Power has consistently raised the bar in terms of power converter efficiency and, as the chart illustrates, has increased the number of high efficiency and low standby power products in its ranges significantly in recent years. (Standby power is the energy consumed by the power converter when the equipment it powers is idle and not operating.)

We are proud, for example, that our CCM250 converter is the most efficient power supply of its type available on the market today, being capable of achieving an impressive 95% efficiency. Moving from 80% efficiency to 95% has dramatic energy saving effects. At 95% efficiency the power converter is wasting 5 times less energy compared to a typical 80% efficient power converter. The aggregate energy saving is staggering when applied to the number of power converters we sell in a single year.

In 2010 we launched 19 new product families with class leading efficiencies, many above 90%, and 9 new product families with low standby power. We have also developed our own "Green Power" criteria for standby power and efficiency for different power converter types.

GREEN•POWER

We have created our own "Green Power" logo to highlight these products to our customers

The technology and components required to push the boundaries of energy efficiency are invariably more expensive but with greater legislative focus on, and public scrutiny of, this area we have evidence that our customers are increasingly willing to pay this premium. The pay-back comes not only in a reduced environmental impact but also results in lower energy bills and superior product design and functionality. Since these new products can be made smaller and our customers have less issue in removing unwanted heat from their equipment, noisy and inherently unreliable fans are often no longer required, for example.

Power converters consume energy while they are in standby mode. There are currently around 1.5 billion external power supplies in the USA alone, accounting for 6% of the US national electricity bill. If left unchecked it is believed that this figure could quickly rise to 30%. In 1992 the US Environmental Protection Agency laid down voluntary guidelines relating to energy consumption of single output external power converters which became the Energy Star program. The California Energy Commission declared these requirements would be mandatory from 1 July 2006. The US Congress has enacted further legislation setting out mandatory requirements for power converters which came into effect on 1 July 2008. The European Union has also produced a Directive relating to energy efficiency of power converters which came into effect on 1 January 2009. XP Power aims to exceed rather than merely meet these standards and will continue to raise the efficiency bar.

"XP Power aims to exceed these industry standards and will continue to raise the efficiency bar."

Energy Efficiency in Hospitals

During the year we commissioned a study with Inekon Energy Efficiency Consulting in Germany. Inekon catalogued and analysed the power conversion products used in a typical hospital in Stuttgart to understand the efficiencies and the standby power consumption. Some of the findings of this study are as follows:

Over 1,000 power converters were deployed in the medical equipment used in the hospital, consuming 306 MWh per year. The average efficiency of the power converters used in this equipment was only 77% so 23% of the input power is wasted. Few of these power converters contained any functionality to reduce power consumption while in standby mode.

In comparison, XP Power's most efficient medical power converters are up to 95% efficient and have low standby power functionality. Inekon has estimated that the hospital in question could reduce its power consumption by up to 32,500 kW hours per year, or 11% from medical devices, if the equivalent XP Power converters were used. This represents CO_2 emissions of 18.6 tons and substantial ongoing cost savings. The energy wasted would be reduced by almost half!

Efficiency improvement, standby reduction and peak load reduction adds up to a 13.3% reduction of electrical energy costs for medical equipment. When considering these additional factors energy wastage is reduced by nearly 60%!

With this compelling data, XP Power now has evidence to convince our customers of the benefits of incorporating more high efficiency power converters into their products. The pay back periods for the end users of high efficiency power converters is extremely short.

By utilising electronic loads we are able to recycle 50% of the power consumed during burn-in

"XP Power is on a mission to develop smaller products that waste less energy, consume less physical material and avoid the use of hazardous substances."

Performance of Our Kunshan Manufacturing Facility

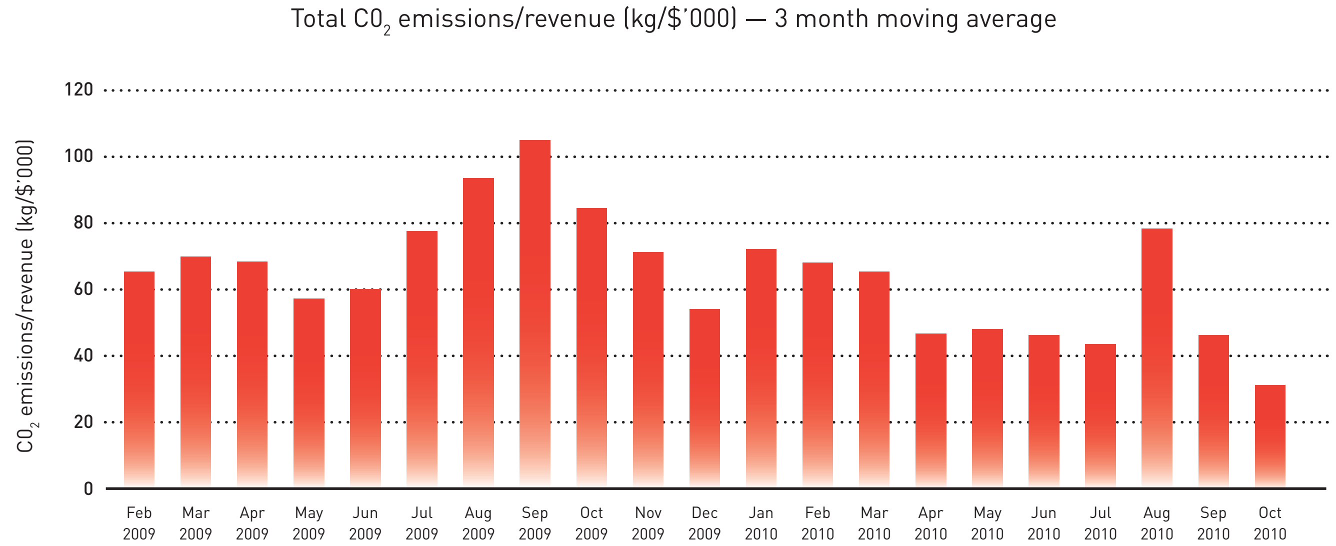
The Chinese Government has set a target of reducing carbon emissions per unit of GDP by 40% to 45% over the period from 2005 to 2020. The attached graph shows the three month moving average of our Kunshan facility's CO_2 emissions per unit of revenue. We consider we are ahead of these reduction targets. Further improvements to the targets are encouraging greater efforts and innovative ideas and action by XP Power.

While we gain natural efficiency as the capacity utilisation of the facility improves, we have also implemented other initiatives such as the use of low energy lighting, improving the energy efficiency of the air conditioning and reducing significantly the power consumed during the burn-in of our products. Burn-in is a process where power converters are run at elevated temperature under load to assure their reliability. This process by its nature can consume a significant amount of power. We have designed our own electronic burn-in loads so we can recycle 50% of the power that is used during this process.

Harmful Substances

European legislation on the Reduction of Hazardous Substances (RoHS) came into effect in 2005. This legislation limited the levels of certain substances in products, including lead. Although the legislation is applicable only to products sold in Europe, XP Power took the decision that all of the products we design and manufacture should be compliant. This was not only good for the environment but good for our business.

In summary, XP Power is on a mission to develop smaller products that waste less energy, consume less physical material and avoid the use of hazardous substances.



Three month moving average of CO_2 emissions at our Kunshan factory

Electric car charging stations at XP Power's North American facility

Vietnam Facility — The Most Environmentally Friendly in the Industry

In December 2010, we started construction of our new Vietnamese manufacturing facility which is due for completion early in 2012. This facility will be the most environmentally friendly power converter manufacturing facility in the world. The building will meet the Gold rating of the BCA Green Mark requirements which are standards set by the Singapore Building and Construction Authority for non-residential buildings in tropical climates. This covers not only energy efficiency of the building but also water efficiency, environmental protection, indoor environmental quality and other green features and innovations.

A photovoltaic solar panel array will help provide power to the facility and rain water will be collected for use within "grey water" systems in the building.

High efficiency air conditioning systems will be deployed and energy saved through an efficient building envelope.

Next Steps

XP Power will continue to lead the industry in addressing the effect it has on the environment. We will achieve this by:

- Continuing to lead the field in the development of high efficiency power conversion technology and encourage our customers to use these types of converters; and
- Challenging, encouraging and helping to educate our staff, customers and suppliers to adopt practices that reduce the energy and resources consumed.

I am confident that these initiatives will not only benefit the environment but will help us and our customers to grow our business and increase the value of our Group.

David Hempleman-Adams
Chairman
Environmental Committee

"The Vietnam factory will be the most environmentally friendly power converter manufacturing facility in the world."

FSC

The printers of this Annual Report are certified by the Forest Stewardship Council, this means they are ethically minded and the paper is recycled.

Our Value Proposition to Our Customers and Shareholders

"XP Power reduces the production and running costs of our customers' equipment enabling them to gain a competitive advantage"

We have carved out a leading position in our industry. An up-to-date high efficiency ("Green Power") product offering, delivered to our customers by the largest and most technically competent sales engineering team in the industry, combined with the safety and reliability benefits of world class manufacturing provide a compelling value proposition to our customers.

People
- Global support
- Industry specific sales team
- Technically trained
- Solution orientated

Engineering
- Local engineering support
- Standard products
- Modified standards
- Engineered solutions group

Manufacturing
- Best in class
- Low cost — Kunshan, China
- Competitive lead-times
- Capacity expansion in Vietnam

XP Power reduces the production and running costs of our customers' equipment enabling them to gain competitive advantage

Product
- Broadest product offering
- Leading edge
- Flexible platforms
- Industry specific solutions

Green
- High efficiency power
- Low standby power
- EICC applicant member
- ISO 14001

Quality
- Stringent design/de-rating rules
- Risk analysis
- Out of box audit
- ISO 13485/9001

Why XP Power is Winning

For a number of years XP Power has followed a clear strategy of moving up the value chain powered by:

- Development of a strong pipeline of leading-edge products
- Expansion of its high efficiency ("Green Power") product offering
- Targeting key accounts and increasing the penetration of existing key accounts
- Enhancing our value proposition to our customers by becoming a manufacturer
- Increasing the high margin contribution of own design/manufactured products

This strategy is clearly paying off. In 2009 we produced record earnings against a backdrop of the "great recession". That performance was due to the program wins from new product introductions made two or three years before. Once the product is designed into our customers' equipment we enjoy an ongoing revenue annuity for a large number of years. Our pipeline of program wins with significant customers continues to build.

The key success factors that distinguish us from many of our competitors are as follows:

- People — As in any business the most important asset is our people. We have the largest most technically trained sales force in the industry. Our customers deal directly with a sales engineer that can solve their power conversion problems. We do not put our key customers through distribution channels. We also provide global support.

Our management team, located in three different continents, is not only talented but given a relatively young average age of 41 has impressive retention with an average length of service of over 11 years. The breadth and depth of experience and collective teamwork of our people delivers genuine value to our customers.

The XP Power management team average over 11 years of service

- Product — We have the broadest, most up-to-date product offering in the industry. Our products are specific to the requirements of the various industries we serve. Our philosophy is to provide highly flexible products which are easy to modify. This saves our customers the cost, time and risk of pursuing a fully customised solution.

- Engineering — We have design engineering teams on three continents — this allows us to release the high volume of innovative new products required by this highly diversified industry. These products often have class leading energy efficiency and small footprints to meet the ever higher demands of our key customers. Additional engineering service teams in Germany, North America and the UK are able to provide value added services close to our key customers. We are able to provide modified solutions which allow the customer to more easily integrate the power converter into their equipment therefore saving them cost.

- Green — Environmental considerations are becoming increasingly important to our customers. There is strong demand for products that consume less material, including harmful chemicals, and power converters that consume less energy. Our product portfolio reflects this with many products having class leading efficiencies and low standby power consumption ("Green Power").

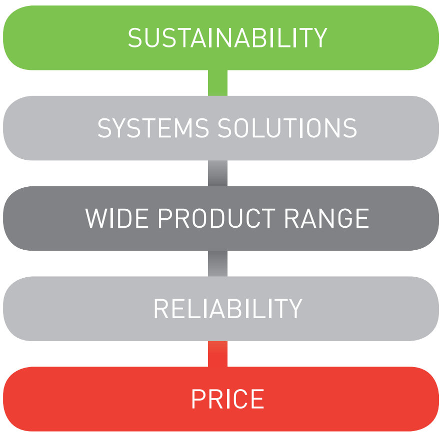
- Manufacturing — Our Asian manufacturing base is not only low cost but best in class. This capability is instrumental to winning new programs with larger blue chip customers that require the ultimate in quality and reliability. We also offer highly competitive lead times and flexible logistics arrangements.

- Quality — Our stringent quality standards ensure the ultimate in quality and reliability. This is vital to our customers. This starts from the design phase right through to production and after sales support.

We have local support and global presence which makes us the ideal partner for larger blue chip customers who may for instance design in North America, have strategic purchasing operations in Europe and manufacture in Asia but also require technical and logistic support on all three continents. It also makes us the ideal partner for any customer who has a power conversion problem they need to solve. This is the value we provide.

How Large Companies Chose Their Preferred Suppliers

In an ever more competitive world, our larger target customers are attempting to differentiate their products from those of their competition and seeking to reduce their costs on an ongoing basis while maintaining excellent quality and reliability. These same customers must also be concerned with environmental sustainability issues as they are increasingly important to their own customers and other stakeholders. Sophisticated customers seek to do this by carefully managing their supply chain and will often have a mechanism both to approve suppliers and formulate a basis for selecting and qualifying their preferred suppliers. They will then work with this small group, often only three key suppliers, very closely.



The selection criteria of our target customers

The fundamental selection criteria are as expected — competitive pricing and excellent quality and reliability. Customers in the power conversion market also require preferred suppliers with wide product ranges with the potential to satisfy future product requirements. XP Power scores strongly here, having the broadest product offering in the industry. Furthermore, customers require excellent technical support and the ability to understand their systems and where necessary provide value added engineering solutions. Again we believe XP Power scores strongly on this count with its highly technical sales force and dedicated engineering services centres. Finally, more and more customers are becoming concerned with environmental sustainability issues where again XP Power scores highly with its "Green Power" product portfolio.

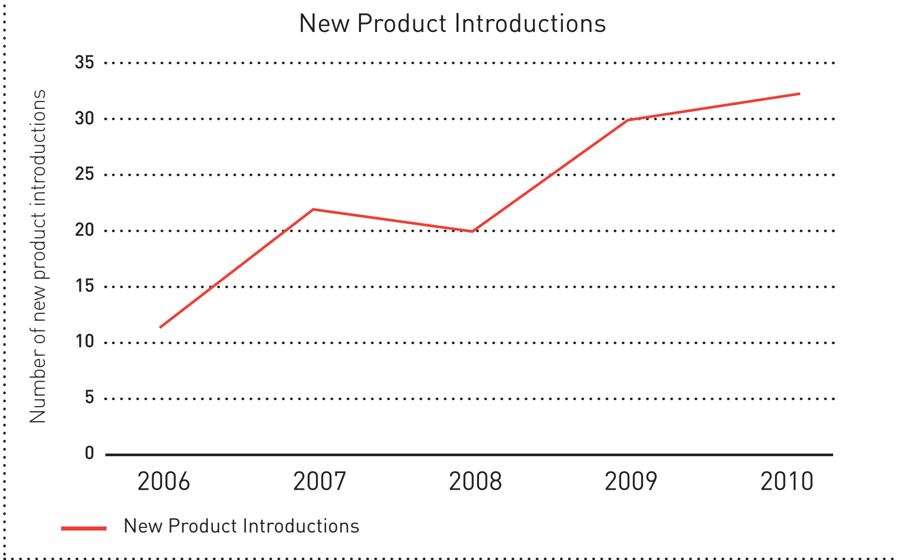
For these reasons we believe we are increasingly becoming the power conversion provider of choice.

"Green Power" is not just environmentally friendly; it is also more reliable and therefore lower cost!"

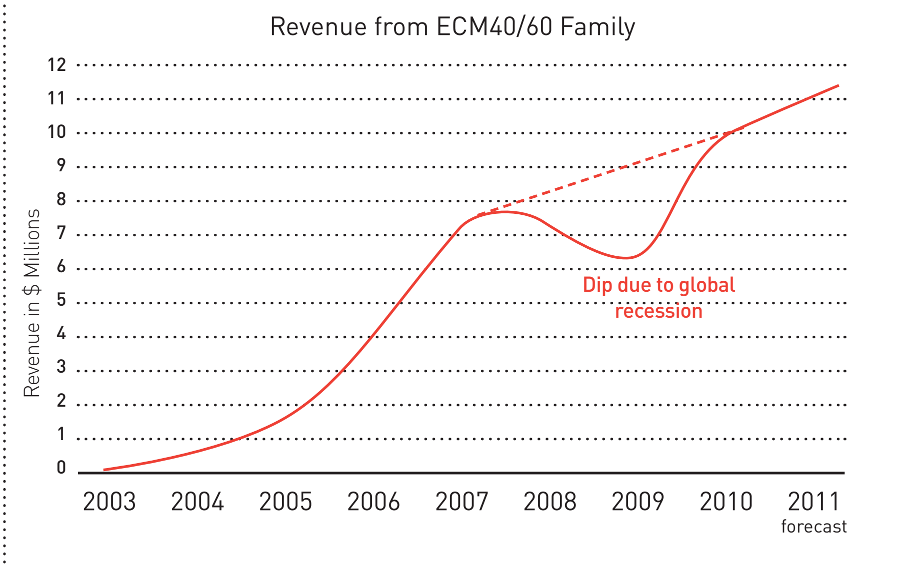
Our Investment Proposition

What is good for customers is good for the long term growth of our business and the returns we offer our shareholders. Our investment proposition is compelling:

- Exposure to a broad cross section of end markets — Technology, Industrial and Healthcare — but with no exposure to consumer electronics.
- A diverse customer base of over 5,000 active customers, with no one customer accounting for more than 5% of revenue.
- Powerful proprietary customer relationship management tools which allow the efficient management of our customer base and identification of pricing and product trends that enable the development of appropriate, innovative new products.
- An established pipeline of class leading new products, many offering high efficiency.
- Attractive margins and lower capital investment requirements when compared to many manufacturing industries, resulting in strong free cash flow and gross margins that are amongst the highest in the industry.
- Revenue annuity — although design cycles are often long, once our power converters are approved for use in our customer's end equipment XP Power enjoys a revenue annuity for the lifetime of the customer's equipment.



We have accelerated the number of new product introductions since 2006



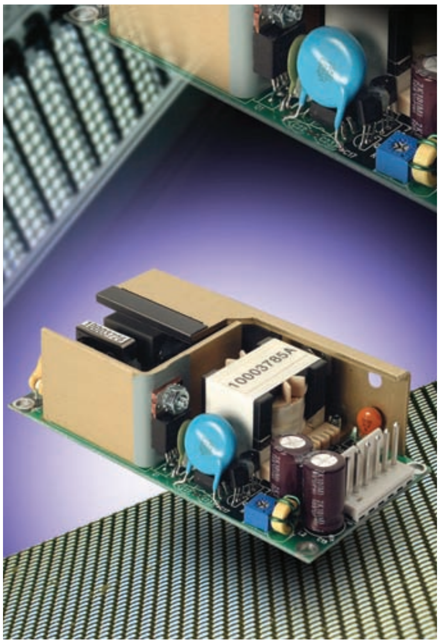
Product revenues from our ECM40/60 family, the first 2 by 4 inch footprint product, now widely adopted in the industry

Design in Cycle and Revenue Annuity

It can take more than two years from first identifying an opportunity and providing a customer a sample to design in to their equipment before the first production revenues are received. However, once a program is in production we enjoy the revenue from that program for the life of the customer's product. This lifespan can be considerable and is generally at least five to seven years depending on the industry. For industrial products the cycle is often much longer and we have many programs that are over seven years old and still running.

The downside of this model is that it takes many years from the introduction of a new product family to achieving significant revenue from it. Our data suggests that products do not reach peak revenue until four years after introduction but that this peak is sustained for a prolonged period thereafter. The positive aspect of this model is that the large number of product introductions we have made over the past few years should bode well for medium term revenue growth and the design base is strong and secure. This factor enabled the business to perform strongly even during the recessions in 2002 and 2009.

"Once a program is in production we enjoy the revenue from that program for the life of the customer's product, typically five to seven years."



ECM40/60

"In the past year we have established the key ingredients for sustainable above peer group growth."

Larry Tracey, Executive Chairman, XP Power

Overview

The trading environment was favourable throughout 2010 as a result of the recovery in world economic conditions. In these improved markets, I am pleased to report that XP Power's well established strategy of moving up the value chain to develop and manufacture its own range of market leading products has enabled the Group to report another substantial improvement in profitability and earnings per share. Our ongoing commitment to invest in new products was again rewarded as key customer programs won in prior years entered production phase and further growth in the proportion of our own XP branded products in the sales mix drove gross margins to a new record.

Financial

Total orders increased by 51% to £103.4 million (2009: £68.4 million). Total sales increased by 36% to £91.8 million (2009: £67.3 million). Sales of product based on XP Power's own designed/own manufactured product increased by 68% to £44.1 million (2009: £26.2 million). Another increase in the proportion of higher margin, own designed/own manufactured products in the sales mix helped to drive a further improvement in gross margins to 48.0% (2009: 45.0%). Operating profit increased to £19.7 million (2009: £9.6 million). Diluted adjusted earnings per share grew to 52.6 pence per share in the second half and increased by 105% to 83.7 pence per share for the year (2009: 40.8 pence per share), another record for the Group.

Net debt at the year end was £18.4 million compared to £18.7 million at the end of 2009. Operating cash flow was £10.3 million (2009: £16.3 million) representing 52% of operating income.

Strategic Progress

In mid-2009 the Group achieved a key strategic objective when its second larger manufacturing facility in China began production. With the Chinese factory now operating in excess of 50% of capacity, the Group has commenced construction of a manufacturing site in Vietnam, which should be on stream within 12 months. Combined, these factories will dramatically enhance the Group's ability to secure preferred supplier status with larger customers and increase significantly the proportion of its revenues which come from our own design/own manufactured products from the current level of just below 50%.

Dividend

In April 2010 we announced that the Company's dividend payment schedule would change from a half yearly to a quarterly basis, to increase the attractiveness of the Group's shares to certain investors and to smooth cash flows. This has been well received by our shareholders.

Our continued strong financial performance, cash flows and confidence in the Group's prospects have enabled us to consistently increase dividends throughout the year.

The first quarterly payment of 6.0 pence per share was made on 6 July 2010, a second quarterly dividend of 7.0 pence per share was paid 12 October 2010 and a third quarterly dividend of 8.0 pence per share was paid on 7 January 2011. In 2009 an interim dividend of 10.0 pence per share was paid on 9 October 2009 and a final dividend of 12.0 pence per share was paid on 1 April 2010.

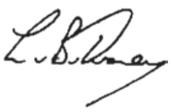
In line with our progressive dividend policy, a final dividend of 12.0 pence per share for the fourth quarter of 2010 is proposed, which when combined with the interim dividends for the previous quarters results in a total dividend of 33.0 pence per share for the year (2009: 22.0p), an increase of 50%.

Sustainability

In 2010 we committed substantial management and financial resources to reducing our carbon footprint and water usage in line with our goal of becoming the leader in our industry in addressing the effect our operations have on the environment. These efforts will continue through 2011 and 2012 as we seek to assist in achieving the national targets set by the countries in which we operate. A detailed report from our Environmental Committee can be found on pages 8 to 11.

Outlook

In the past year we have established the key ingredients for sustainable above peer group growth. We have the people, the products and the productive capacity which creates a solid foundation for revenue and earnings growth over the coming years.



Larry Tracey
Executive Chairman

"Our move into manufacturing is increasingly making us the power converter provider of choice for many large customers."

Duncan Penny, Chief Executive, XP Power

2010 was a further record year for XP Power with the previous year's records for own designed/manufactured revenue, margins, earnings and cash flow beaten again. This underlines what has been achieved as a result of our consistent strategy of moving up the value chain, powered by an increasingly strong pipeline of new leading-edge products, many of which are highly efficient ("Green") and our development as an independent manufacturer. This performance is even more pleasing as much of it has been delivered against a backdrop of difficult economic conditions, demonstrating the resilient nature of our business model.

Our broad and up-to-date portfolio of class leading products combined with excellent engineering support, and the assured quality and reliability facilitated by our move into manufacturing, is increasingly making us the power converter provider of choice for many large customers.

A record 88% of our revenues came from our own brand products in 2010 (2009: 83%) and 48% of our total revenues are now generated from our own designed/manufactured products (2009: 39%). These own designed/manufactured products generate significantly higher margins, and give XP Power the capacity to design tailor-made power control solutions for specific customer orders making us an increasingly attractive partner for our larger target customers.

Markets

XP Power supplies power control solutions to original equipment manufacturers ("OEMs") who themselves supply the healthcare, technology and industrial markets with high value products. The increasing importance of energy efficiency, for both environmental and economic reasons, the necessity for ever smaller products, the rate of technological change and the increasing proliferation of electronic equipment, all contribute to underpin the strength of medium term demand for XP Power's power conversion products.

The worldwide market for XP Power's products is estimated to be greater than £1.2 billion per annum and we expect it to grow by approximately 17% in the next four years. We estimate that XP Power's global market share grew to around 8% in 2010 compared with around 6.5% in 2009. Across North America and Europe, XP Power currently has around 10% and 12% respectively of our available market, while across Asia we doubled our share to 2% in the period. These estimates illustrate the significant commercial opportunities that remain open to XP Power, and the Board is confident that the Group's competitive advantages over many of its peers will allow it to capitalise on these opportunities.

According to industry sector, 2010 revenues were split: industrial up 47% to £42.2 million (2009: £28.7 million), healthcare up 15% to £22.8 million (2009: £19.8 million) and technology up 43% to £26.8 million (2009: £18.8 million). Healthcare continued to grow robustly, reflecting an ongoing focus on that sector and very strong healthcare product offering. However, its growth rate was surpassed by those of the industrial and technology sectors in the period as these markets recovered from the severe downturn in 2009.

According to geography our 2010 revenues were split: Asia up 22% to £5.6 million (2009: £4.6 million), Europe up 30% to £41.4 million (2009: £31.9 million) and North America up 45% to £44.8 million (2009: £30.8 million). North America was hardest hit during the recession and has therefore shown stronger growth in the recovery. Nevertheless, we are confident we have taken market share in all geographies.

Our major blue chip customers continue to demand market leading, highly reliable products. We maintained a consistent investment in research and development through the year and our product pipeline remains the broadest and freshest in the industry. The attractions of this continually evolving portfolio of market leading products enabled the Group to win a number of new customers in the year, underpinning revenue growth in future years.

Increasingly, the design and manufacturing process of major international OEMs takes place across different continents, with these blue chip companies demanding global support. In response, XP Power has established an international network of offices which offers the necessary customer support across technical sales, design engineering, logistics and operations. This network gives XP Power a competitive advantage over both its smaller competitors, who do not have the scale and geographic reach to serve global customers, and its larger competitors who often lack the operational flexibility to provide

Our Kunshan facility has been instrumental in winning new programs and customers

XP Power's global sales network provides major customers with local face to face support and rapid response times

excellent service and speed. We believe that this balance offers XP Power the opportunity to further increase its market share, and we believe is one of the main reasons for our success in winning new contracts.

Expanding the International Network

XP Power's mix of quick response capability and global reach is a major competitive advantage. XP Power maintained a network of 27 sales offices spread over North America, Europe and Asia, with a further 16 distributors, supporting its smaller customers, during the year. The size and scope of this network is kept under continuous review to ensure the business remains best placed to capitalise on growth opportunities in each of its geographies.

XP Power has the largest, most technically trained sales force in the industry. Our detailed in-house training program demands that the sales force pass numerous technology and customer service modules, making them a "value add" partner to our customers' product development teams. Management believes that this gives the business a competitive edge compared to many within its peer group.

The North American network consists of 17 sales offices and an extensive engineering services function, based in Northern California. This network allows XP Power to provide all its major customers with local face to face support and rapid response times. The central engineering services function has established XP Power as a value added partner, allowing it to comprehensively address the demands of its larger customers for complex solutions that can be efficiently integrated into their end equipment, in turn delivering significant savings in cost, time to market and engineering resource.

In Europe, the XP Power network consists of eight sales offices and a further nine distributor offices, providing the same level of customer support as North America. In addition, XP Power has engineering services centres in Germany and the UK, providing some of the largest blue chip conglomerates in Europe with specialist technical expertise and value added services for market leading, complex power control solutions.

The Asian sales activities are run from Shanghai and Singapore, where we also manage a network of seven distributors serving the region. In the medium term we expect revenues derived from Asia to be an increasing proportion of XP Power's worldwide revenues.

"A long term commitment to invest in R&D has established the broadest, most up to date portfolio of products in the power converter industry"

Market Leading Technology

A long term commitment to invest in research and development of new products has been the cornerstone of XP Power's growth strategy. This investment has established the broadest, most up-to-date portfolio of products in the power converter industry.

Research and development spend grew to £4.6 million in 2010 (2009: £3.8 million), its highest level ever, and a record thirty two new product families were introduced in the year, resulting in a number of exciting new customer approvals. Of particular note was the launch of an extensive range of highly efficient "Green Power" medical external power converters reflecting the trends in that industry sector. These have been extremely well received by our customers with some encouraging early design wins of significant value. This product family adds to our already extensive range of "Green Power" products.

As the large number of new products released over the last few years are now coming to production and being sampled to customers, the Group expects the rate of new product introductions to slow somewhat in the current year compared to the very high numbers of recent years. While new product introductions will remain at the heart of our activities, our development resources will also be focused on producing modifications to existing products to meet the requirements of individual customers.

Reliability and Manufacturing Capabilities

XP Power's products frequently power critical applications — not least in the healthcare sector — and reliability is a crucial issue for our customers. Our key customers demand the ultimate in terms of quality control to ensure reliability for the life of their equipment. Control of the manufacturing capability is therefore critical to ensure strict management of the production processes and components that go into our products, and also give us opportunities to reduce our product costs. The capability and performance of our Kunshan facility, which was commissioned in 2009, has been instrumental in winning new programs and customers.

During the year we continued our vertical integration and started small scale production of magnetic components which are a key component of our products. This vertical integration enhances our value proposition to key customers who like to see rigorous control of the supply chain. In addition, it has enabled us to produce quick turnaround magnetic components for our design teams in Singapore, UK and USA to assist in shortening design cycles.

As previously reported, the Group purchased a site in Ho Chi Minh City, Vietnam, which will house the next expansion of our manufacturing capacity. The Vietnam site has sufficient space for the Group to build two factories equivalent to the size of its existing China factory in a phased approach as demand dictates. With the Kunshan facility now running at over 50% capacity, work commenced in December 2010 on the first Vietnam facility, which will double our existing manufacturing capacity. This facility is expected to be completed in early 2012.

The Environment and Sustainability

In 2009 we established an Environmental Committee that immediately set the goal of making XP Power the leader in environmental issues within our industry. Much has been achieved in 2010 and this is set out in detail in the 2010 Environmental Report on pages 8 to 11.

During 2010 we became an Applicant Member of the Electronic Industry Citizenship Coalition (EICC). The EICC is an industry organisation of leading electronics manufacturers which promotes an industry code of conduct for global electronics supply chains to improve working and environmental conditions. It deals with environmental, health and safety, labour standards and business ethics issues. We have publicly adopted the Code of Conduct of the EICC and are now active members on both its Environmental Sustainability and Water working groups.

As it is a new build project, our new Vietnamese facility presents us with an excellent opportunity to establish the most environmentally friendly power converter manufacturing facility in the world and we are incorporating green technologies into the plant from the outset.

We have also expanded our ISO 14001 Environmental Management certifications around the world. Currently, approximately 80% of our revenues are covered by ISO 14001.

During the year we commissioned an independent study to analyse the performance of power conversion products used in a typical hospital in order to understand the efficiency levels and standby power consumption of the electronic power converters typically used in this setting. The survey provided a host of fascinating findings.

Over 1,000 power converters were deployed in the medical equipment used in the hospital, consuming 306 MWh per year. The average efficiency of the power converters used in this equipment was only 77% so 23% of the input power is wasted. Few of these power converters contained any functionality to reduce power consumption while in standby mode.

In comparison, XP Power's most efficient medical power converters are up to 95% efficient and have low standby power functionality. Inekon, the energy management and energy efficiency consultant, has estimated that the hospital in question could reduce its power consumption from medical devices by up to 32,500 kW hours per year, or 11%, if the equivalent XP Power converters were used. This represents CO_2 emissions of 18.6 tons and substantial ongoing cost savings, with the energy wasted would be reduced by almost half.

With this compelling data, XP Power now has the hard evidence to help convince its customers of the benefits of incorporating more high efficiency power converters into their products. This is undoubtedly the biggest beneficial impact XP Power can have on the environment.

Investing in Customer Support

In a competitive market place, excellent customer support and service is critical. XP Power has developed a network of relationship managers and sales engineers to manage long-term customer relationships across three continents. The Group has worked hard to build a sales culture that can successfully manage complicated relationships and has developed sophisticated proprietary customer relationship management tools to effectively manage the sales process. The management regards these tools and their method of utilisation as a significant source of competitive advantage over the Group's larger competitors.

Our Business Model

XP Power's business model exhibits the following characteristics:

- Exposure to a broad cross section of end markets — Technology, Industrial and Healthcare — but with no exposure to consumer electronics;
- A diverse customer base of over 5,000 active customers, with no one customer accounting for more than 5% of revenue;
- Powerful proprietary customer relationship management tools which allow the efficient management of our customer base and identification of pricing and product trends that enable the development of appropriate, innovative new products;
- An established pipeline of new class leading "Green Power" products which operate at high efficiency;
- Attractive margins and lower capital investment requirements when compared to many manufacturing industries, resulting in strong free cash flow and gross margins that are amongst the highest in the industry; and
- Although design cycles are often long — typically an average period of 16 months from identifying a program to receiving the first production orders — once our power converters are approved for use in our customer's end equipment XP Power enjoys a revenue annuity for the lifetime of the customer's equipment, which is typically five to seven years.

It is this business model that ultimately allows the Group to grow and change while at the same time maintaining strong profitability and cash flow to fund returns to its shareholders.

Outlook

XP Power has enjoyed another excellent year, building its reputation in the industry and taking market share. The consistent application of our strategy of moving up the value chain, powered by a strong pipeline of new leading-edge products and our continued move into manufacturing has again generated a substantially improved result.

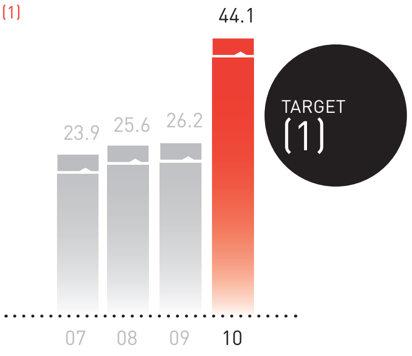
The CCM250, XP Power's most efficient medically approved power converter achieves 95% efficiency

We remain confident about the fundamental medium term growth drivers which underpin the markets in which we operate. With the successful transition of its business model to higher margin, own IP product sales and the continued development of a state-of-the-art independent manufacturing capability, XP Power remains in a strong position to capitalise on its growth ambitions.

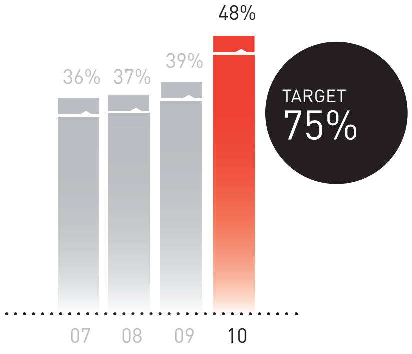
Duncan Penny
Chief Executive

"XP Power has enjoyed another excellent year building its reputation in the industry and taking market share."

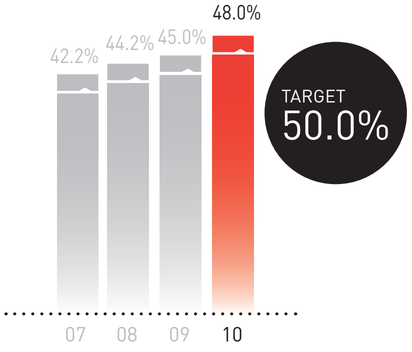
OWN DESIGN/
MANUFACTURED
REVENUE
(£MILLIONS)
(1)



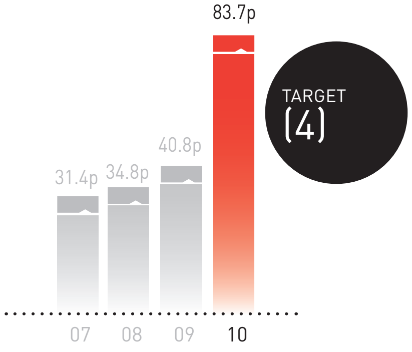
PROPORTION OF OWN
DESIGN/MANUFACTURED
REVENUE
(2)



GROSS MARGIN
(3)



DILUTED ADJUSTED
EARNINGS PER SHARE
(4)



(1) Own design/manufactured revenue = revenue derived from products designed by XP Power or where XP Power owns the design and outsources the manufacture.
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.

(2) Proportion of own design/manufactured revenue = revenue from own design/manufactured products as a percentage of total revenue.
We are targeting to achieve 75% over the course of time.

(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. We expect our gross margin to improve marginally from current levels and have established a new target of 50% to be achieved by the end of 2012.

(4) Diluted adjusted earnings per share = earnings per share adjusted for amortisation of intangibles associated with acquisitions and exceptional charges or profits.

Diluted earnings per share is per the consolidated financial statements.

Adjustments to the earnings per share are set out in Note 10.

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 39%.

We met our internal targets for all our performance indicators as set out above. Whilst other performance measures are discussed in this Annual Report, it is the above four measures that the Directors use as the Group's key performance indicators.

Board Responsibility

Like many other international businesses the Group is exposed to a number of risks which might have a material effect on its financial performance. The Board has overall responsibility for the management of risk and sets aside time at its meetings to identify and address risks.

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 including US Dollars, Euros and its reporting currency Pounds Sterling. In particular, North America represents an important geographic market for the Group where virtually all the revenues are denominated in US Dollars. The Group also sources the majority of its product in US Dollars. The Group therefore has an exposure to foreign currency fluctuations. 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 particularly from emerging low cost manufacturers in Asia.

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.

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 businesses financial condition and results of operations. However, for the year ended 31 December 2010, 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 short term 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 any sustained macroeconomic recovery. With the financial markets uncertain, the management team must also be able to adapt to the changing conditions and implement corrective measures as they are needed. It could adversely affect the Group if the management team is not able to successfully cope with these 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 currently 28.0% and a number of European jurisdictions where the rates vary between 25.5% and 38.7%. In addition, the Group has manufacturing activities in China and Hong Kong where the corporation tax rates are 24% and 17.5% respectively and sales companies in Singapore and Switzerland where the corporation tax rates are 17.0% 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 judgements 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.

"Our operating profit allowed us to generate operating cash flow of £10.3 million during 2010."

Mickey Lynch, Finance Director, XP Power

Cash Flow

Our operating profit allowed us to generate operating cash flow of £10.3 million during 2010 (2009: £16.3 million). Inventories grew from £10.7 million in 2009 to £21.0 million in 2010 as our business grew and we substantially increased our raw material inventories in response to component shortages. Net debt ended the year at £18.4 million compared to £18.7 million in 2009. We also returned £4.8 million (2009: £4.0 million) to shareholders in the form of dividends.

Income and Expenditure Account

Revenues increased 36% to £91.8 million from £67.3 million in 2009, revenues from our own designed/manufactured product increased by 68% to £44.1 million from £26.2 million in 2009 driving further increases in our gross margin. During 2010 the average US Dollar to Sterling exchange rate was 1.54 compared to 1.55 in 2009. Therefore the income and expenditure account was not materially affected by fluctuations in the US Dollar to Sterling exchange rate. It should be noted that although a strong US Dollar increases our reported revenues when reported in Sterling it reduces our profits as we have marginally more US Dollar expenses than we have US Dollar revenues across the world. Consequently our reported revenues are quite sensitive to the exchange rates between the US Dollar and Sterling but the impact on our profitability is minimal.

Gross margins increased 3.0 percentage points to 48.0% in 2010 from 45.0% in 2009 due to a greater proportion of own designed/manufactured sales.

Operating expenses were £24.4 million in the year as compared with £20.8 million in 2009. In accordance with the requirements of IAS 38, during 2010 £1.7 million of product development expenditure was capitalised (2009: £1.5 million) and £0.8 million was amortised (2009: £0.3 million). Gross expenditure on product development was £4.6 million or 5.0% of revenue compared to £3.8 million, or 5.6% of revenue in 2009 and £3.5 million, or 5.0% of revenue in 2008. This demonstrates our commitment to continue with our product portfolio expansion even in the face of difficult economic conditions in 2008 and 2009.

Financial Control and Reporting

One of the many challenges for international organisations 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.

The Group uses forward currency contracts to convert Sterling and Euro long positions to cover the US Dollar short positions in its parent company. The Group had £15.7 million of forward currency contracts outstanding at 31 December 2010 (2009: £11.8 million).

Financing Costs

In September 2010 the Group renewed its annual working capital facility, which is US Dollar 15 million, priced at LIBOR plus a fixed margin of 2.5%.

In addition, the Group previously had a term debt facility which was due to expire at the end of September 2011. This facility had repayments at the end of each quarter of US Dollars 1.5 million and US Dollars 27.0 million would have been due to be repaid at the expiry of this facility at the end of September 2011. In December the Group made arrangements with its bankers, Bank of Scotland plc, to renew this facility in the amount of US Dollars 18.0 million for a further three years expiring at the end of September 2014. The quarterly repayments remain at US Dollars 1.5 million and the pricing is at LIBOR plus a margin of between 1.75% to 2.25% depending on the ratio of Net Debt to EBITDA.

The Company entered into an interest rate swap in respect of 85% of the value of the original US$36 million term debt which fixes the floating LIBOR rate at 1.99%. The interest rate on existing debt is therefore fixed at 3.99%. This interest rate swap expires at the end of September 2011.

Dividends

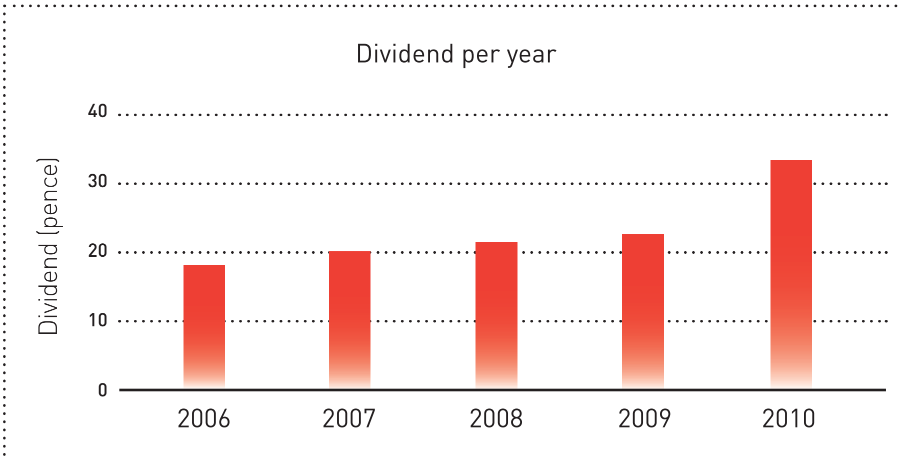
Our dividend policy is to pay dividends to our shareholders when legally and commercially able to do so. This year's financial performance in terms of profitability and increased operating cash flow has enabled us to increase the 2010 dividend (including final proposed) by 50% to 33p per share.

Substantial Interests

Other than the Directors' interests (see Directors' Remuneration Report), at 31 December 2010 the Company was aware of the following interests in 3% or more of the issued ordinary share capital of the Company:

	Number of shares	%
Standard Life Investments	1,561,532	8.1%
Aberdeen Asset Managers	826,176	4.3%
Hargreave Hale	690,261	3.6%

J Mickey Lynch
Finance Director



Five year dividend history

"This year's financial performance has enabled us to increase the 2010 dividend by 50% to 33p per share."

BUSINESS REVIEW

THE XPERTS IN POWER

XP The Board of Directors

01

02

03

04

05

06

01
Larry Tracey
Executive Chairman (age 63)

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% 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.

02
James Peters
Deputy Chairman (age 52)

James has over 30 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.

03
Duncan Penny
Chief Executive (age 48)

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.

04
Mike Laver
President, North America (age 48)

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.

05
Mickey Lynch
Finance Director (age 58)

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 ten 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.

07

08

09

06
Andy Sng
General Manager, Asia (age 40)

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).

07
John Dyson
Senior Non-Executive Director (age 62)

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.

08
Michael Hafferty
Non-Executive Director (age 68)

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.

09
David Hempleman-Adams
Non-Executive Director (age 53)

David joined the Board on 16 June 2008 and has a record of achievement in both business and exploration. David joined Robnorganic Systems in 1984 as Sales and Marketing Director becoming CEO and then Chairman. He is now the Chairman of Global Resins Limited. Both companies are involved in the formulation and manufacture of resin systems for the electrical market. He has been in this market for 24 years. He also serves as a Non-Executive Director of Verridan Plc, a company offering consultancy related to training and recruiting. In addition, David is a founder and Director of Hempleman Investment Company Limited which owns and manages business land and premises, also a Director of Cold Climates which offers Adventure Experiences.

David is also involved in charity work notably as a Trustee of the Duke of Edinburgh Award Scheme and Mitchemp Trust.

Directors

The Directors of the Company in office at the date of this report are as follows:
Larry Tracey
James Peters
Duncan Penny
Mickey Lynch
Michael Laver
Andy Sng
John Dyson
Michael Hafferty
David Hempleman-Adams

In accordance with the Company's Articles of Association John Dyson, Michael Hafferty, and David Hempleman-Adams retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

Directors' Interests in Shares or Share Options

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

Dividends

In 2010 the Company changed its dividend payment schedule from a half yearly to quarterly basis, to increase the attractiveness of the Company's shares to certain investors and to smooth cash flows.

Interim dividends were paid and are proposed as follows:

Period	Payment date	Amount	2009 Comparative
First Quarter	6 July 2010	6.0 pence	Not applicable
Second Quarter	12 October 2010	7.0 pence	10.0 pence
Third Quarter	7 January 2011	8.0 pence	Not applicable
Fourth Quarter (proposed)	8 April 2011	12.0 pence	12.0 pence
Total		33.0 pence	22.0 pence

We are proposing a final dividend of 12.0 pence per share which would be payable to members on the register on 18 March 2011 and will be paid on 8 April 2011. This would make the total dividend for the year 33.0 pence (2009: 22.0 pence).

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:
John Dyson (Chairman)
Michael Hafferty
David Hempleman-Adams
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 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 2010 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 LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

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

On behalf of the Directors

Larry Tracey
Executive Chairman
21 February 2011

Duncan Penny
Chief Executive

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 of the United Kingdom.

Statement of Compliance with the Code of Best Practice

Throughout the year ended 31 December 2010 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, were members of the Remuneration Committee and the Nomination 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. Notwithstanding this on the basis of a recommendation from a major shareholder Larry Tracey and James Peters stepped down from the remuneration committee on 7 June 2010. The Company has been in full compliance with the Code provisions from this date.

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 financial statements 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.

The Board acknowledges that it is responsible for the Group's internal controls and for reviewing their 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 financial statements. That process is regularly reviewed by the Board and Audit Committee and is in accordance with the Internal Control guidance for Directors on the Combined Code.

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.

Board Meetings

There were seven Board Meetings during the year. The attendees were as follows:

Date	Attendees
18 February 2010	All
10 April 2010	All except John Dyson and David Hempleman-Adams
20 May 2010	All
7 June 2010	All
30 July 2010	All except Mike Laver
1 October 2010	All except John Dyson and David Hempleman-Adams
16 November 2010	All

Audit Committee

The Audit Committee consists of the Non-Executive Directors John Dyson (Chairman), Michael Hafferty and David Hempleman-Adams. The Audit Committee met three times during 2010, the attendees were as follows:

Date	Attendees
18 February 2010	All
29 July 2010	All
16 November 2010	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. The Committee has 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 auditors 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 did not meet during 2010.

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.

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 2010 were John Dyson, Michael Hafferty and David Hempleman-Adams (Non-Executive Directors). James Peters and Larry Tracey stepped down from the Remuneration Committee on 7 June 2010. The committee is chaired by John Dyson.

The Committee makes recommendations to the Board. No Director plays a part in any discussion regarding his own remuneration.

The Remuneration Committee met twice during the year on 19 February 2010 and 7 June 2010. All members of the Committee attended those meetings.

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 considers 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	18 February 2011	1 January 2005
Mike Laver	18 February 2011	1 January 2007
Mickey Lynch	18 February 2011	1 January 2007
Duncan Penny	18 February 2011	1 January 2006
James Peters	18 February 2011	1 January 2005
Andy Sng	18 February 2011	1 January 2008

Due to the economic conditions in 2009 the Executive Directors voluntarily took a 15% reduction to their base salaries except for James Peters who took a 38% reduction. These reductions ceased with effect from 1 January 2010. 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 and Non-Executive Directors receive certain benefits-in-kind, principally life assurance and private medical insurance. In addition, Duncan Penny receives a housing allowance relating to his relocation to Singapore and Andy Sng receives 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. Under the Scheme of Arrangement whereby XP shareholders exchanged their shares in XP Power for shares in XP Power Limited and due to this scheme, the IFX Power plc Share Option Plan has been continued by XP Power Limited under the same conditions. No options under this scheme have been awarded to Executive Directors during the year.

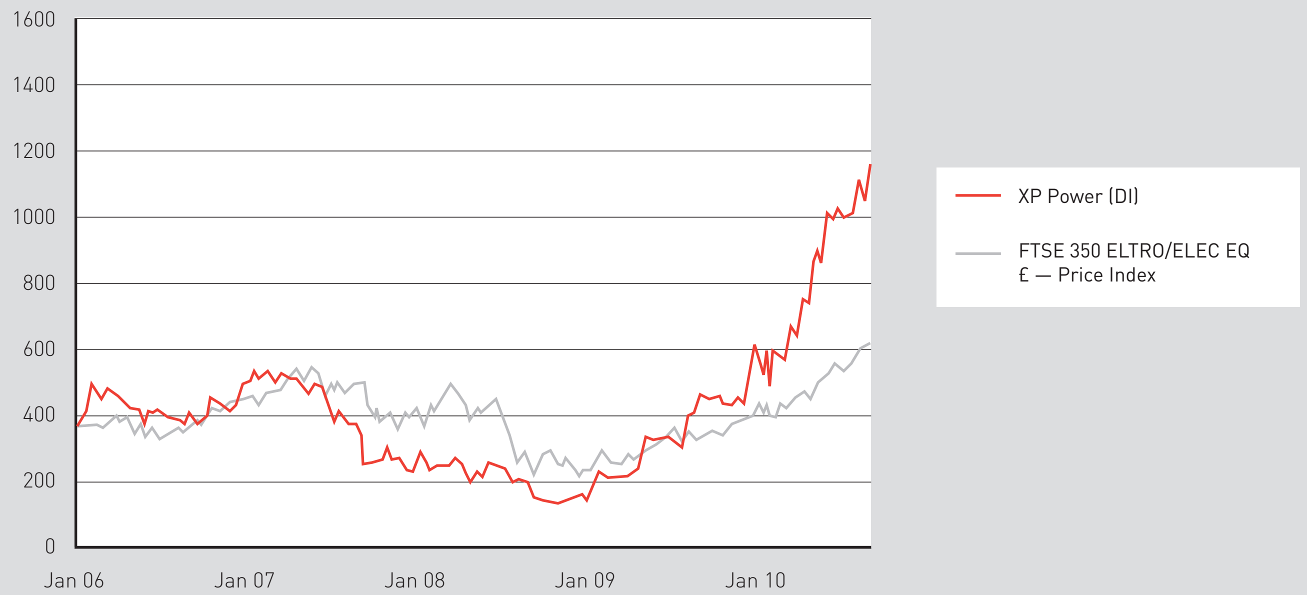
Pension Arrangements

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. The annual fee paid to each Non-Executive Director is currently S$50,000 (approximately £24,000) except John Dyson whose annual fee was increased to US$100,000 (approximately £48,000) with effect from 1 January 2010.

Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

£	2010	2009
Basic salaries	960,666	742,520
Benefits-in-kind	159,054	128,122
Profit share	253,295	—
Money purchase pension contributions	29,448	18,959
Non-Executive Director fees	94,950	66,390
Total remuneration	1,497,413	955,991

Directors' Emoluments

Name of Director £	Salary and fees	Pension	Benefits	Profit share	2010 Total	2009 Total
Executive						
Larry Tracey	180,616	5,418	13,736	57,978	257,748	158,013
James Peters	180,616	5,418	2,104	37,978	226,116	115,312
Duncan Penny	223,241	7,659	85,891	57,978	374,769	260,839
Mike Laver	148,867	2,977	6,136	44,729	202,709	132,140
Mickey Lynch	119,741	2,395	7,984	25,643	155,763	109,256
Andy Sng	107,585	5,581	37,918	28,989	180,073	114,041
Non-Executive						
John Dyson	47,730	—	—	—	47,730	22,130
Michael Hafferty	23,610	—	—	—	23,610	22,130
David Hempleman-Adams	23,610	—	5,285	—	28,895	22,130

Directors' Interests in Ordinary Shares of XP Power Limited

	At 31 December 2010	At 1 January 2010
Executive		
Larry Tracey (a)	2,678,857	2,668,857
James Peters (b)	2,699,779	2,899,779
Mike Laver (c)	194,500	194,500
Mickey Lynch (d)	81,000	81,000
Duncan Penny (e)	500,000	480,000
Andy Sng (f)	6,000	—
Non-executive		
John Dyson	15,000	15,000
Michael Hafferty	—	—
David Hempleman-Adams (g)	32,825	27,050

(a) Larry Tracey's spouse purchased 4,000 shares at a price of £5.64 on 21 April 2010 and 6,000 at a price of £7.35 on 28 August 2010.

(b) James Peters sold 200,000 shares at a price of £7.35 on 4 August 2010.

(c) Mike Laver participated in the deferred payment share scheme and as at 31 December 2010, 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.

(d) Mickey Lynch participated in the deferred payment share scheme and as at 31 December 2010, 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.

(e) Duncan Penny purchased 20,000 shares at a price of £4.35 on 22 February 2010. Duncan Penny participated in the deferred payment share scheme and as at 31 December 2010, the outstanding balance is £336,000.

(f) Andy Sng purchased 6,000 shares at a price of £5.77 on 16 June 2010.

(g) David Hempleman-Adams purchased 5,775 shares at a price of £8.55 on 2 September 2010.

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 2010 Number of shares	As at 1 January 2010 Number of shares
Mike Laver (a)	24 August 2001	£3.425	24,000	24,000
	21 August 2002	£1.75	—	25,000
Mickey Lynch (b)	24 August 2001	£3.425	—	15,000
	21 August 2002	£1.75	—	10,000
Duncan Penny	24 August 2001	£3.425	25,000	25,000
Andy Sng	21 April 2005	£4.11	20,000	20,000
	26 April 2007	£5.072	30,000	30,000

(a) On 26 April 2010 Mike Laver exercised 25,000 options granted at a price of £1.75 per share on 21 August 2002.

(b) On 3 August 2010 Mickey Lynch exercised 15,000 options granted at a price of £3.425 per share on 24 August 2001 and 10,000 options granted at a price of £1.75 per share on 21 August 2002.

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.

The highest and lowest closing mid-market prices of the shares of XP Power Limited during 2010 were £11.00 and £4.185 per share respectively. The mid-market price on 31 December 2010 closed at £10.42 per share.

Approval

This report was approved by the Board of Directors on 21 February 2011 and signed on its behalf by:

John Dyson
Remuneration Committee Chairman

Statement by Directors

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 35 to 81 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 2010 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
21 February 2011

Duncan Penny
Chief Executive

Independent Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of XP Power Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 81, which comprise the balance sheets of the Company and of the Group as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about 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 of financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of 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 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore
21 February 2011

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

£ Millions	Note	2010	2009
Revenue	4	91.8	67.3
Cost of sales		(47.7)	(37.0)
Gross profit		44.1	30.3
Expenses			
Distribution and marketing		(20.0)	(17.4)
Administrative		(0.7)	(0.8)
Research and development		(3.7)	(2.6)
Other operating income		—	0.1
Operating profit		19.7	9.6
Finance cost	6	(1.1)	(1.2)
Profit before income tax		18.6	8.4
Income tax expense	8	(2.6)	(0.8)
Profit for the year		16.0	7.6
Other comprehensive income:			
Cash flow hedges	25	(0.2)	(1.2)
Exchange differences on translation of foreign operations	25	(0.2)	1.1
Income tax relating to components of other comprehensive income	25	—	0.2
Other comprehensive income for the year, net of tax		(0.4)	0.1
Total comprehensive income for the year		15.6	7.7
Profit attributable to:			
Owners of the parent	25	15.8	7.4
Non-controlling interest	25	0.2	0.2
		16.0	7.6
Total comprehensive income attributable to:			
Owners of the parent		15.4	7.5
Non-controlling interest		0.2	0.2
		15.6	7.7
Earnings per share attributable to owners of the parent (pence per share)			
— Basic	10	83.9	39.4
— Diluted	10	83.2	39.3

Consolidated Balance Sheet

For the financial year ended 31 December 2010

£ Millions	Note	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	16	5.0	4.0
Derivative financial instruments	23	—	—
Trade receivables	18	15.6	11.0
Other current assets	19	1.5	1.2
Inventories	17	21.0	10.7
Total current assets		43.1	26.9
Non-current assets			
Interest in associates	15	0.1	0.1
Property, plant and equipment	13	8.3	7.1
Goodwill	11	30.8	31.0
Intangible assets	12	5.3	4.5
ESOP loans to employees	27	2.4	2.6
Derivative financial instruments	23	—	—
Deferred income tax assets	24	0.8	0.3
Total non-current assets		47.7	45.6
Total assets		90.8	72.5
LIABILITIES			
Current liabilities			
Trade and other payables	20	15.5	9.1
Current income tax liabilities	8	3.4	2.5
Derivative financial instruments	23	0.4	0.3
Borrowings	22	12.7	3.9
Total current liabilities		32.0	15.8
Non-current liabilities			
Borrowings	22	10.7	18.8
Deferred income tax liabilities	24	1.8	1.8
Provision for deferred contingent consideration	21	3.5	3.6
Total non-current liabilities		16.0	24.2
Total liabilities		48.0	40.0
NET ASSETS		42.8	32.5
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	25	27.2	27.2
Merger reserve	25	0.2	0.2
Treasury shares	25	(1.0)	(0.9)
Hedging reserve	25	(0.4)	(0.2)
Translation reserve	25	(7.6)	(7.4)
Retained earnings	25	24.2	13.3
		42.6	32.2
Non-controlling interests	25	0.2	0.3
TOTAL EQUITY		42.8	32.5

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2010

£ Millions	Note	Share capital	Treasury shares	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2009		27.2	(0.8)	0.2	1.0	(8.5)	9.7	28.8	0.2	29.0
Purchase of treasury shares	25	—	(0.1)	—	—	—	—	(0.1)	—	(0.1)
Dividends paid	9	—	—	—	—	—	(4.0)	(4.0)	(0.1)	(4.1)
Total comprehensive income for the year	25	—	—	—	(1.2)	1.1	7.6	7.5	0.2	7.7
Balance at 31 December 2009		**27.2**	**(0.9)**	**0.2**	**(0.2)**	**(7.4)**	**13.3**	**32.2**	**0.3**	**32.5**
Sale of treasury shares	25	—	0.6	—	—	—	(0.1)	0.5	—	0.5
Purchase of treasury shares	25	—	(0.7)	—	—	—	—	(0.7)	—	(0.7)
Dividends paid	9	—	—	—	—	—	(4.8)	(4.8)	(0.3)	(5.1)
Total comprehensive income for the year	25	—	—	—	(0.2)	(0.2)	15.8	15.4	0.2	15.6
Balance at 31 December 2010		**27.2**	**(1.0)**	**0.2**	**(0.4)**	**(7.6)**	**24.2**	**42.6**	**0.2**	**42.8**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

£ Millions	Note	2010	2009
Cash flows from operating activities			
Profit for the year		16.0	7.6
Adjustments for			
— Income tax expense	8	2.6	0.8
— Amortisation and depreciation	4	1.9	1.6
— Finance cost	6	1.1	1.2
Change in the working capital			
— Inventories		(10.3)	6.9
— Trade and other receivables		(4.9)	1.8
— Trade and other payables		6.2	(3.1)
Income tax paid	8	(2.3)	(0.5)
Net cash provided by operating activities		10.3	16.3
Cash flows from investing activities			
Purchases and construction of property, plant and equipment	13	(2.1)	(1.7)
Research and development expenditure paid	12	(1.7)	(1.5)
ESOP loans repaid		0.2	0.1
Net cash used in investing activities		(3.6)	(3.1)
Cash flows from financing activities			
Repayment of borrowings		(3.2)	(1.3)
Purchase of treasury shares by ESOP		(0.2)	—
Interest paid		(0.9)	(1.1)
Dividend paid to equity holders of the Company	9	(4.8)	(4.0)
Dividend paid to non-controlling interests		(0.3)	(0.1)
Net cash provided by financing activities		(9.4)	(6.5)
Effects of currency translation		(0.3)	0.9
Net increase/(decrease) in cash and cash equivalents		(3.0)	7.6
Cash and cash equivalents at beginning of financial year		3.9	(3.9)
Effects of currency translation on cash and cash equivalents		0.1	0.2
Cash and cash equivalents at end of financial year		1.0	3.9

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 401 Commonwealth Drive, Lobby B, #02-02, Haw Par Technocentre, Singapore 149598.

The nature of the Group's operations and its principal activities are set out in the Markets and Products sections of the Annual Report on pages 2 to 5.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of XP Power Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of these accounting policies and the 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. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

2.1 **Basis of preparation** (continued)

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ' Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2010). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

2.1 **Basis of preparation** (continued)

(iii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted.

The Group's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. It is not expected to have a material impact on the Group or Company's financial statements.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group has systems in place to capture the necessary information.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise prices is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

2.2 **Foreign currency translation**

(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 consolidated 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 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.

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items measured at fair value in foreign currencies are translated using exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in other comprehensive income.

(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 and the average rate is not considered a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated using the exchange rates of the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income.

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 at the date of the balance sheet. 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 comprises the fair value of the consideration received or receivable for goods provided in the ordinary course of the Group's business, net of discounts, Value Added Tax/Goods and Services Tax, returns and rebates, and after eliminating sales within the Group.

(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

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2.4 **Group accounting** (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(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 using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies include goodwill identified on acquisition net of any accumulated impairment loss.

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.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These cumulative 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.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

2.4 Group accounting (continued)

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2.5 Property, plant and equipment

Property, plant and equipment, including land and buildings, are stated at historical cost less accumulated depreciation and any recognised impairment losses.

Historical 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.

Subsequent costs are included in the asset's carrying amount, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land and property under development are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Plant and equipment	— 10 - 33%
Motor vehicles	— 20 - 25%
Building improvements	— 10% or over the life of the lease if shorter
Buildings	— 2 - 5%
Leasehold land and buildings	— 2% 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 profit or loss when the changes arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds less cost to sell and the carrying amount of the asset, and are recognised in the profit or loss.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

2.6 Intangible assets (continued)

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

Expenditure on research activities are recognised as an expense as incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following criterias 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. Amortisation commences one year after the products are launched.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties. Borrowing costs on general borrowings which finance the construction or development of properties are capitalised using an average financing rate.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets depending on the nature of the asset and 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 receivables", "other current assets" and "cash and cash equivalents" in the balance sheet.

(b) Recognition/derecognition

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

(c) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

2.9 Financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Trade and other payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised 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 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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.13 Leases

Leases in which a significant portion of the risks and rewards of 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 charged to profit of loss on a straight-line basis over the period of the lease.

2.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the contract is entered into and is subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedge of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

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 and interest rate swaps to hedge floating interest rate exposures.

2.14 Derivative financial instruments and hedging activities (continued)

Cash flow hedge

(i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in the hedging reserve and transferred to the profit or loss when the interest expense on the borrowings is recognised in the profit or loss.

(ii) Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gains and losses that were previously recognised in equity are transferred to the profit or loss immediately.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in other comprehensive income are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining expected life/or maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

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.

2.17 Current and deferred income tax

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.

2.17 Current and deferred income tax (continued)

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.

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 liabilities on the balance sheet.

2.19 Share-based payments

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. The vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. 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 profit or loss, 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. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contribution into separate entities on a mandatory, contracted or voluntary basis. 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 in profit or loss 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 issue of new ordinary shares are shown in equity, net of tax, from the proceeds.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost (net of income taxes) is deducted from 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.

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 Dividend distribution

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

2.24 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments.

2.26 Research costs

Research costs are recognised as an expense when incurred.

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 £1.7 million (2009: £1.5 million) of development costs were capitalised bringing the total amount of development cost capitalised as intangible assets as of 31 December 2010 to £5.3 million (2009: £4.4 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.

(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 results and takes into account 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 2010 was £30.8 million (2009: £31.0 million) with no impairment adjustment required for 2010.

Management assessed that there are no realistic foreseeable changes that will result in impairment loss on the goodwill allocated to the North America and Europe operating segments.

(c) Estimation of future deferred contingent consideration payments

As of the 31 December 2010 balance sheet date the Group has recorded estimated future payments related to the acquisition of the final of 30.3% of Powersolve Electronics Limited. When discounted to present value the total of these payments are estimated at £3.5 million and that amount is reflected on the balance sheet as of the 2010 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.

3. **Critical accounting judgements and key sources of estimation uncertainty** (continued)

(c) Estimation of future deferred contingent consideration payments (continued)

If Powersolve's future earnings increase or decrease by 10% year on year for January 2010 to January 2012, the deferred consideration will be affected by £0.4 million. There will be no impact to net profit or total equity as changes in estimates of the deferred consideration are adjusted against goodwill.

(d) Deferred income tax

The Group has exposures to income taxes in numerous jurisdictions. The Group's tax position includes judgements about past and future events and relies on estimates and assumptions. Although the Directors 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 outcome of tax assessments that have been raised or may be raised in the future. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made and could adversely affect our financial position, results and cash flows.

The Group has an unrecognised deferred tax asset of £1.6 million (2009: £2.6 million). The eventual recognition of this asset is dependent of the assessment of our subsidiaries' tax positions by the relevant tax authorities. The Company is in discussions with the tax authorities in the US regarding a potential contingent income tax liability of £2.85 million (US$4.4 million). Having considered the matter and after seeking external advice the Directors' opinion is that the tax authorities claims are substantially unfounded. Pending the outcome of the ongoing discussions, any resulting assessments and potential tax liability, if any, could be materially different from the amount set out above.

4. **Segmental reporting**

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers (CODM) that are used to make strategic decisions. The Chief Operating Decision Makers are the Executive Board of Directors who will review the operating results and forecasts to make decisions about resources to be allocated to the segments and assess their performance.

The Executive Board of Directors considers and manages the business on a geographic basis. Management manages and monitors the business based on the three primary geographic areas: Asia, Europe, and North America. All geographic locations market the same class of products to their respective customer base.

The Executive Board of Directors assesses the performance of the operating segments based on net sales and operating income. Net sales for geographic segments are based on the location of the design win rather than where the end sale is made. The operating income for each segment includes net sales to third parties, related cost of sales, operating expenses directly attributable to the segment, a portion of corporate expenses and research and development costs. Costs excluded from segment operating income include stock-based compensation expense, income taxes, various non-operating charges, and other separately managed general and administrative costs.

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables, cash and cash equivalents and exclude tax assets.

Segment liabilities comprise operating liabilities and exclude tax liabilities.

Capital expenditure comprises additions to property, plant and equipment.

4. Segmental reporting (continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2010 is as follows:

£ Millions	2010	2009
Revenue		
Europe	41.4	31.9
North America	44.8	30.8
Asia	5.6	4.6
Total Revenue	91.8	67.3
Reconciliation of segment results to profit before income tax:		
Europe	7.4	5.3
North America	9.6	4.0
Asia	1.0	0.9
Segment result	18.0	10.2
Research and development cost	(3.7)	(2.6)
Finance income and cost	(1.1)	(1.2)
Corporate recovery from operating segment	5.4	2.0
Profit before income tax	18.6	8.4
Income tax expense	(2.6)	(0.8)
Profit for the year	16.0	7.6

In 2010, the Executive Board of Directors included a portion of corporate expenses and research and development costs to the results for each segment. The reconciliation of segment result to profit before income tax for 2009 was restated.

The Group's three business segments operate in the following countries:

£ Millions	2010	2009
United States	43.5	30.1
United Kingdom	20.5	17.5
Singapore	8.8	4.5
Germany	7.5	5.4
Switzerland	3.3	3.1
Other countries	8.2	6.7
Total Revenue	91.8	67.3

4. Segmental reporting (continued)

£ Millions	Year to 31 December 2010 Europe	North America	Asia	Total	Year to 31 December 2009 Europe	North America	Asia	Total
Other Information								
Capital additions	0.3	0.2	1.6	2.1	0.1	0.1	1.5	1.7
Depreciation	0.2	0.2	0.6	1.0	0.4	0.2	0.4	1.0
Intangible assets additions	—	1.4	0.3	1.7	—	1.1	0.4	1.5
Amortisation	0.1	0.8	—	0.9	0.3	0.3	—	0.6
Balance sheet								
Goodwill	10.7	19.4	0.7	30.8	10.9	19.4	0.7	31.0
Other non-current assets	4.3	5.6	6.2	16.1	4.7	4.7	4.9	14.3
Inventories	1.5	7.0	12.5	21.0	1.1	4.6	5.0	10.7
Trade receivables	6.5	7.6	1.5	15.6	5.7	4.6	0.7	11.0
Other current assets	0.4	0.3	0.8	1.5	0.4	0.2	0.6	1.2
Cash	2.5	1.2	1.3	5.0	2.3	0.4	1.3	4.0
Segment assets	25.9	41.1	23.0	90.0	25.1	33.9	13.2	72.2
Unallocated deferred income tax				0.8	—	—	—	0.3
Consolidated total assets				90.8				72.5
Trade and other payables	(2.6)	(1.6)	(11.3)	(15.5)	(2.0)	(1.5)	(5.6)	(9.1)
Other current liabilities	—	(0.2)	(0.2)	(0.4)	—	(0.3)	—	(0.3)
Deferred contingent consideration	(3.5)	—	—	(3.5)	(3.6)	—	—	(3.6)
Segment liabilities	(6.1)	(1.8)	(11.5)	(19.4)	(5.6)	(1.8)	(5.6)	(13.0)
Unallocated corporate liabilities				(23.4)				(22.7)
Unallocated deferred and current income tax				(5.2)				(4.3)
Consolidated total liabilities				(48.0)				(40.0)

Analysis by customer

The revenue by class of customer was as follows:

£ Millions	Year to 31 December 2010 Europe	North America	Asia	Total	Year to 31 December 2009 Europe	North America	Asia	Total
Technology	10.7	12.6	3.5	26.8	8.7	8.9	1.2	18.8
Industrial	22.1	18.6	1.5	42.2	15.4	10.2	3.1	28.7
Healthcare	8.6	13.6	0.6	22.8	7.8	11.7	0.3	19.8
Total	41.4	44.8	5.6	91.8	31.9	30.8	4.6	67.3

5. Employee compensation (including Directors)

£ Millions	2010	2009
Wages and salaries	14.2	12.0
Social security	2.0	1.8
Pension	0.4	0.3
Total	16.6	14.1

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

6. Finance income and cost

£ Millions	2010	2009
Interest expense on bank loans and overdrafts	0.6	0.9
Interest expense on interest rate swap agreement	0.3	0.2
Unwinding of discount on deferred consideration (note 21)	0.2	0.1
Total	1.1	1.2

7. Expenses by nature

£ Millions	2010	2009
Profit for the year is after charging:		
Amortisation of intangibles	0.9	0.6
Depreciation of property, plant and equipment	1.0	1.0
Employee compensation	16.6	14.1
Foreign exchange (gains)/losses	0.2	0.1
Cost of inventories recognised as an expense*	47.7	37.0
Charge for doubtful debts	0.1	(0.1)
Fees paid to auditors:		
Audit	0.3	0.3
Other services — tax	0.1	0.1
Rent/lease expense	1.2	1.1
Finance income and cost	1.1	1.2
Other charges	4.0	3.5
Total	73.2	58.9

* This includes write-downs of inventories of £0.7 million (2009: £0.8 million).

Included in the above is net research and development expenditure as follows:

£ Millions	2010	2009
Gross research and development expenditure	4.6	3.8
Development expenditure capitalised	(1.7)	(1.5)
Amortisation of development expenditure capitalised	0.8	0.3
Net research and development expenditure	3.7	2.6

8. Income taxes

£ Millions	2010	2009
Singapore corporation tax		
— current year	1.0	0.5
— adjustment in respect of prior year	(0.1)	—
Overseas corporation tax		
— current year	2.4	1.1
— adjustment in respect of prior year	(0.2)	(1.2)
Current income tax	3.1	0.4
Deferred income tax	(0.5)	0.4
Income tax expense	2.6	0.8

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

The differences between the total income tax expense shown above and the amount calculated by applying the standard rate of Singapore income tax rate to the profit before income tax are as follows:

£ Millions	2010	2009
Profit before income tax	18.6	8.4
Tax on profit at standard Singapore tax rate of 17%	3.2	1.4
Tax incentives	(0.6)	(0.3)
Higher rates of overseas corporation tax	1.6	0.9
Deduction for gains on employee share options	(1.1)	—
Adjustment in respect of prior year	(0.5)	(1.2)
Income tax expense	2.6	0.8

No deferred tax has been 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.

Movement in current income tax liabilities:

£ Millions	2010	2009
At 1 January 2010	(2.5)	(3.1)
Currency translation differences	(0.1)	0.2
Income tax paid	2.3	0.5
Income tax payable — current year	(3.4)	(1.6)
— prior year	0.3	1.2
Adjustment in respect of prior year	—	0.3
At 31 December 2010	(3.4)	(2.5)

9. Dividends

Amounts recognised as distributions to equity holders in the period:

	2010		2009	
	Pence per share	£ Millions	Pence per share	£ Millions
Prior year final dividend paid	12.0*	2.3	11.0	2.1
First Quarter paid	6.0^	1.2	—	—
Second Quarter paid	7.0^	1.3	10.0*	1.9
Total	25.0	4.8	21.0	4.0

* Dividends in respect of 2009 (22.0p)
^ Dividends in respect of 2010 (33.0p)

A third quarterly dividend of 8.0 pence per share was paid on 7 January 2011. The proposed final dividend of 12.0 pence per share for 2010 is subject to approval by shareholders at the Annual General Meeting scheduled for 4 April 2011 and has not been included as a liability in these financial statements. It is proposed that the final dividend be paid on 8 April 2011 to members on the register as at 18 March 2011.

10. 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:

	2010 £ Millions	2009 £ Millions
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity shareholders of the parent)	15.8	7.4
Amortisation of intangibles associated with acquisitions	0.1	0.3
Earnings for adjusted earnings per share	15.9	7.7
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	18,830	18,788
Effect of potentially dilutive share options (thousands)	170	64
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	19,000	18,852
Earnings per share from operations		
Basic	83.9p	39.4p
Diluted	83.2p	39.3p
Diluted adjusted	83.7p	40.8p

The non-controlling shareholders are entitled to their share of any dividend declared. The dividend payable to non-controlling shareholders in 2010 was £0.2 million (2009: £0.3 million).

11. Goodwill

£ Millions	2010	2009
Cost		
At 1 January	31.0	29.9
Provision for deferred contingent consideration (Note 21)	(0.3)	1.6
Foreign currency translation	0.1	(0.5)
At 31 December	30.8	31.0
Accumulated impairment loss		
At 31 December	—	—
Carrying Amount		
At 31 December	30.8	31.0

Goodwill arises on the consolidation of subsidiary undertakings.

A change in deferred contingent consideration of £0.3 million in 2010 was due to a decrease in the forecasted earning 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 2010 performance were revised downward.

For the purpose of impairment testing, goodwill has been allocated to the operating segments identified in Note 4.

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 8.1% was used for 2010 and for 2009, the rate was 12.3%).

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for the next five years and extrapolates cash flows for the following five years assuming no growth from that date. Management has forecast year on year increase in sales and overheads of 5% and 3% respectively. The carrying amount of goodwill as at 31 December 2010 was £30.8 million (2009: £31.0 million) with no impairment adjustment required for 2010.

12. Intangible assets

£ Millions	Development costs	Trade marks	Non-contractual customer relationships	Total
Cost				
At 1 January 2009	3.9	1.0	0.3	5.2
Additions	1.5	—	—	1.5
At 1 January 2010	**5.4**	**1.0**	**0.3**	**6.7**
Additions	1.7	—	—	1.7
At 31 December 2010	**7.1**	**1.0**	**0.3**	**8.4**
Amortisation				
At 1 January 2009	0.7	0.6	0.3	1.6
Charge for the year	0.3	0.3	—	0.6
At 1 January 2010	**1.0**	**0.9**	**0.3**	**2.2**
Charge for the year	0.8	0.1	—	0.9
At 31 December 2010	**1.8**	**1.0**	**0.3**	**3.1**
Carrying Amount				
At 31 December 2010	**5.3**	**—**	**—**	**5.3**
At 31 December 2009	4.4	0.1	—	4.5

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 products are ready for sale.

The separately identifiable intangible assets acquired with the Powersolve business have an expected useful life of five years and amortisation of £0.1 million (2009: £0.3 million) has been incurred during the period.

13. Property, plant and equipment

£ Millions	Freehold land	Leasehold land and buildings	Buildings	Plant and equipment	Motor vehicles	Building improvements	Projects under development	Total
Cost								
At 1 January 2009	0.2	1.4	1.5	6.9	0.5	1.3	0.8	12.6
Additions	—	—	—	0.5	—	0.1	1.1	1.7
Disposals	—	—	—	(0.1)	—	(0.3)	—	(0.4)
Transfer	—	1.5	—	0.3	—	—	(1.8)	—
Foreign currency translation	—	—	(0.1)	(0.3)	—	—	—	(0.4)
At 1 January 2010	**0.2**	**2.9**	**1.4**	**7.3**	**0.5**	**1.1**	**0.1**	**13.5**
Additions	—	0.3	—	0.7	0.2	0.1	0.8	2.1
Disposals	—	—	—	(0.1)	(0.2)	—	—	(0.3)
Transfer	—	0.3	—	0.4	—	0.1	(0.8)	—
Foreign currency translation	—	0.1	0.1	0.2	(0.1)	—	—	0.3
At 31 December 2010	**0.2**	**3.6**	**1.5**	**8.5**	**0.4**	**1.3**	**0.1**	**15.6**
Depreciation								
At 1 January 2009	—	0.1	—	4.6	0.3	0.9	—	5.9
Charge for the year	—	—	—	0.7	0.1	0.2	—	1.0
Disposals	—	—	—	(0.1)	—	(0.3)	—	(0.4)
Foreign currency translation	—	—	—	(0.1)	—	—	—	(0.1)
At 1 January 2010	**—**	**0.1**	**—**	**5.1**	**0.4**	**0.8**	**—**	**6.4**
Charge for the year	—	0.1	—	0.7	—	0.2	—	1.0
Disposals	—	—	—	(0.1)	(0.2)	—	—	(0.3)
Foreign currency translation	—	—	—	0.2	—	—	—	0.2
At 31 December 2010	**—**	**0.2**	**—**	**5.9**	**0.2**	**1.0**	**—**	**7.3**
Carrying Amount								
At 31 December 2010	**0.2**	**3.4**	**1.5**	**2.6**	**0.2**	**0.3**	**0.1**	**8.3**
At 31 December 2009	0.2	2.8	1.4	2.2	0.1	0.3	0.1	7.1

The Group has entered into agreements to lease land and buildings ranging from 99 years to 999 years.

Depreciation is charged so as to allocate the long leasehold items over their estimated useful lives.

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.

The Group has pledged all property, plant and equipment as collateral to secure banking facilities granted to the Group.

14. Subsidiaries

Details of principal subsidiaries as at 31 December 2010, all of which are consolidated are as follows:

Name of Subsidiary	Place of Incorporation/ ownership (or registration) and operation	Proportion of Ownership 2010 (%)	Proportion of Ownership 2009 (%)	Auditor of subsidiaries
XP Power AG	Switzerland	99	98	Karpf Treuhand & Revisions AG
XP Power LLC	USA	100	100	exempted to be audited by local statutory law
XP PLC	UK	100	100	PricewaterhouseCoopers LLP
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	100	100	PricewaterhouseCoopers LLP
XP Power (Shanghai) Co., Limited	China	100	100	Shanghai JunFu PCZ/Jiahua CPA
XP Power Srl	Italy	80	80	Exempted to be audited by local statutory law
XP Power (S) Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP
XP Power (Hong Kong) Limited	HK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP
XP Power (Vietnam) Co., Limited	Vietnam	100	—	DFK Vietnam Auditing Company

*Proportion of voting power held is 70%.

In December 2010, the Group has invested US$1 million in a wholly-owned subsidiary in Vietnam for the preparation of the manufacturing capacity in Vietnam.

15. Interest in associate

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

£ Millions	2010	2009
Beginning of financial year	0.1	0.1
End of financial year	0.1	0.1

Aggregate amounts relating to associate:

£ Millions	2010	2009
Total assets	0.1	0.1
Total liabilities	—	—
Total	0.1	0.1
Income	0.1	0.1
Expenses	(0.1)	(0.1)
Net profit	—	—

16. Cash and cash equivalents

£ Millions	2010	2009
Cash at bank and on hand	5.0	4.0
Total	5.0	4.0

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

£ Millions	2010	2009
Cash at bank and on hand (as above)	5.0	4.0
Less: Bank overdrafts (Note 22)	(4.0)	(0.1)
Cash and cash equivalents per consolidated cash flow statement	1.0	3.9

The maximum exposure to credit risk is the carrying amount of cash at bank and on hand as disclosed above.

Reconciliation to free cash flow

£ Millions	2010	2009
Net cash inflow from operating activities	10.3	16.3
Research and development expenditure	(1.7)	(1.5)
Net interest expense	(0.9)	(1.1)
Free cash flow	7.7	13.7

17. Inventories

£ Millions	2010	2009
Goods for resale	14.5	8.8
Work-in-progress	6.5	1.9
Total	21.0	10.7

The cost of inventories recognised as an expense and included in "cost of sales" amounts to £47.7 million (2009: £37.0 million).

18. Trade receivables

£ Millions	2010	2009
Trade receivables	15.6	11.0
Total	15.6	11.0

The average credit period given on sales of goods is 62 days (2009: 60 days). No interest is charged on the outstanding receivable balance.

The carrying amounts of trade receivables approximate their fair values.

19. Other current assets

£ Millions	2010	2009
Other receivables and prepayments	1.5	1.2
Total	1.5	1.2

20. Current liabilities

£ Millions	2010	2009
Trade and other payables	15.5	9.1
Current income tax liabilities	3.4	2.5
Bank loans and overdrafts (Note 22)	12.7	3.9
Total	31.6	15.5

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

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The carrying amounts of trade and other payables approximate their fair values.

21. Provision for deferred contingent consideration

£ Millions	2010	2009
At 1 January	3.6	1.9
Movement in provision during the year	(0.3)	1.6
Adjustment for unwinding of discount rate	0.2	0.1
At 31 December	3.5	3.6

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 2011 and 2012.

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, with a corresponding adjustment to goodwill. 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 non-controlling interest charge made in the amount of dividends that will be payable for that year to the non-controlling shareholders.

22. Borrowings

The borrowings are repayable as follows:

£ Millions	2010	2009
On demand or within one year	12.7	3.9
In the second year	3.9	18.8
In the third year	3.9	—
In the fourth year	2.9	—
	23.4	22.7
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(12.7)	(3.9)
Total repayable after 12 months	10.7	18.8

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

December 2010	USD	TOTAL
£ Millions		
Bank overdrafts	4.0	4.0
Bank loans	19.4	19.4
Total	23.4	23.4

December 2009	USD	TOTAL
£ Millions		
Bank overdrafts	0.1	0.1
Bank loans	22.6	22.6
Total	22.7	22.7

The average interest rates paid were as follows:	2010	2009
Bank overdrafts	3.0%	3.0%
Bank loans	4.0%	3.6%

The fair value of the Group's bank loans and overdrafts are the same as their book value.

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 2010, the Group had an overdraft of £4.0 million (2009: £0.1 million). The overdraft interest rate is 2.5% above LIBOR.

2. In December 2010, Bank of Scotland Plc has extended the term loan facility of US$18 million beyond the current September 2011 expiration. The term loan is repayable over 3 years with a quarterly payment of US$1.5 million from December 2011 to September 2014. The term loan is priced at LIBOR plus a margin of between 1.75% and 2.25% depending on the ratio of Net Debt to EBITDA.

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

4. Management assessed all loan covenants have been compiled with as of 31 December 2010.

23. Derivative financial instruments

a. Forward foreign exchange contracts

The Group utilises currency derivatives to hedge highly probable forecast transactions. The instruments purchased are denominated in the currencies of the Group's principal markets.

In 2010, the total notional amount of outstanding currency forward contracts that the Group has committed is £10.1 million (2009: £11.8 million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

December 2010	Contract notional amount	Fair value (liability)
£ Millions		
Forward foreign exchange contracts	10.1	(0.2)
Current portion	8.3	(0.2)
Non-current portion	1.8	—
Total	10.1	(0.2)

December 2009	Contract notional amount	Fair value asset
£ Millions		
Forward foreign exchange contracts	11.8	*—
Current portion	9.4	*—
Non-current portion	2.4	*—
Total	11.8	*—

*These are balances less than £0.1 million.

Certain currency forward contracts were taken up to protect against exchange movements on future purchases of goods. These contracts did not qualify for hedge accounting.

The total notional amount and fair value asset of the forward contracts is as follows:

December 2010	Contract notional amount	Fair value asset
£ Millions		
Forward foreign exchange contracts	5.6	*—
Current portion	5.6	*—
Non-current portion	—	—
Total	5.6	*—

*These are balances less than £0.1 million.

December 2009	Contract notional amount	Fair value asset
£ Millions		
Forward foreign exchange contracts	—	—
Current portion	—	—
Non-current portion	—	—
Total	—	—

23. Derivative financial instruments (continued)

b. Interest rate swap

On 17 March 2009, the Group entered into an interest rate swap agreement to swap its variable US$ LIBOR interest rate on US$30.6 million (£19.2 million) for a fixed rate of interest of 1.99% plus applicable margin to manage exposure to interest rate movements. Fair value gains and losses on the interest rate swap are recognised in the hedging reserve.

£ Millions	2010	2009
Interest rate swap contract	16.6	19.2
Fair value liability of the contract	(0.2)	(0.3)

24. Deferred income taxes

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

£ Millions	Accelerated tax depreciation	Goodwill amortisation	Share-based payment	Capitalised development costs	Other intangible assets	Other temporary differences	Total
At 1 January 2009	0.3	(0.4)	0.1	(1.2)	(0.1)	—	(1.3)
Charge to income	—	(0.2)	—	(0.3)	0.1	—	(0.4)
Charge to equity	—	—	0.2	—	—	—	0.2
At 1 January 2010	0.3	(0.6)	0.3	(1.5)	—	—	(1.5)
Charge to income	—	—	0.5	0.1	—	(0.1)	0.5
Charge to equity	—	—	—	—	—	—	—
Total	**0.3**	**(0.6)**	**0.8**	**(1.4)**	**—**	**(0.1)**	**(1.0)**

£ Millions	2010	2009
Deferred tax liabilities	(1.8)	(1.8)
Deferred tax assets	0.8	0.3
	(1.0)	(1.5)

The Group has an unrecognised deferred tax asset of £1.6 million (2009: £2.6 million). The eventual recognition of this asset is dependent of the assessment of the relevant subsidiaries' tax positions by the relevant tax authorities. The Company is in discussions with the tax authorities in the US regarding a potential contingent income tax liability of £2.85 million (US$4.4 million). Having considered the matter and after seeking external advice the Directors' opinion is that the tax authorities claims are substantially unfounded. Pending the outcome of the ongoing discussions, any resulting assessments and potential tax liability, if any, could be materially different from the amount set out above.

25. Share capital and reserves

Called up share capital

£ Millions	2010	2009
Allotted and fully paid 19,242,296 ordinary shares (2009: 19,242,296)	27.2	27.2

Merger reserve

£ Millions	2010	2009
Balance at 31 December	0.2	0.2

25. Share capital and reserves (continued)

Treasury shares

£ Millions	2010	2009
Balance at 1 January	(0.9)	(0.8)
Sale of shares	0.6	—
Purchase of shares	(0.7)	(0.1)
Balance at 31 December	(1.0)	(0.9)

As at 31 December 2010, the Group's Employee Share Ownership Plan (ESOP) held 353,955 (2009: 455,152) shares carrying a value of £967,745 (2009: £879,992) owned by the Trust.

Hedging reserve

£ Millions	2010	2009
Balance at 1 January	(0.2)	1.0
Fair value (losses)/gains	(0.2)	(1.2)
Balance at 31 December	(0.4)	(0.2)

Translation reserve

£ Millions	2010	2009
Balance at 1 January	(7.4)	(8.5)
Exchange differences on translation of foreign operations	(0.2)	1.1
Balance at 31 December	(7.6)	(7.4)

Retained earnings

£ Millions	2010	2009
Balance at 1 January	13.3	9.7
Tax on items taken directly to equity	—	0.2
Profit for the year	15.8	7.4
Loss on treasury shares	(0.1)	—
Dividends paid	(4.8)	(4.0)
Balance at 31 December	24.2	13.3

Non-controlling interests

The non-controlling shareholders are entitled to their share of any dividend declared. Interim dividend of £0.3 million was paid to Powersolve non-controlling shareholders and another £0.2 million final dividend is expected. The balance payable for 2010 was £0.2 million (2009: £0.3 million).

26. Operating leases and other commitments

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

£ Millions	2010	2009
Within one year	1.1	1.2
In the second to fifth years inclusive	1.4	1.9
After five years	0.4	0.4
Total	2.9	3.5

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

The Group has entered into a contract for the construction of a factory in Vietnam for a consideration of £3.9 million (US$6.0 million).

27. ESOP loan to employees

£ Millions	2010	2009
ESOP loan to employees	2.4	2.6
Total	2.4	2.6

The Group offers interest free loans to employees to purchase company shares under a deferred payment scheme. Under this scheme payment is deferred until the shares are sold. The shares cannot be sold 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 current assets as the Company cannot predict when the employees will repay their loans.

28. Pensions

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

The total cost charged to income of £0.2 million (2009: £0.2 million) represents contributions payable to these schemes by the Group. As at 31 December 2010, all contributions for the year had been made.

In the USA, the Group operates a defined contribution "401K Plan". The Group can contribute 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 (2009: Nil) represents the Group's "matching" contribution which will be paid in 2011.

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 £0.1 million (2009: £0.1 million).

29. 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 are disclosed below.

There was no amount payable to associates at 31 December 2010 and 2009.

During the year, the following transactions took place between the Group and related parties at terms agreed between parties:

	2010 £	2009 £
Sales and marketing	20,000	—
Others	10,500	—

As at 31 December 2010, the Company's Employee Share Ownership Plan has provided interest rate free loans totalling £997,375 (2009: £1,006,375) to 3 Directors for the deferred payment share scheme. The detailed information is provided for in the Directors' Remuneration Report on page 31.

29. Related party transactions (continued)

The remuneration of the Directors 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 29 to 32.

	2010 £	2009 £
Short-term employee benefits	1,467,965	937,032
Post employment benefits	29,448	18,959
Total Directors' remuneration	1,497,413	955,991

30. 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	Grant Date	Expiry Date
1,000	£1.15	21 August 2001*	21 August 2011
49,000	£3.425	21 August 2001*	21 August 2011
14,000	£3.20	31 January 2002*	31 January 2012
30,000	£2.925	1 May 2002*	1 May 2012
16,200	£1.15	24 August 2002*	24 August 2012
47,900	£1.75	24 August 2002*	24 August 2012
14,350	£2.675	2 February 2004*	2 February 2014
20,000	£4.11	21 April 2005*	21 April 2015
2,500	£3.20	14 December 2005*	14 December 2015
41,000	£3.90	28 September 2006*	28 September 2016
129,375	£5.073	26 April 2007*	26 April 2017
365,325			

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

	2010		2009	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of the year	572,700	324	601,500	323
Forfeited during the year	(12,500)	276	(12,000)	479
Exercised during the year	(194,875)	243	(16,800)	184
Outstanding at the end of the year	365,325	369	572,700	324
Exercisable at the end of the year	332,981	356	482,200	293

The weighted average share price at the date of exercise for the share options exercised during the period was 680p. The options outstanding at 31 December 2010 had a weighted average exercise price of 369p, and a weighted average remaining contractual life of four years.

In accordance with IFRS 2, Share Based Payment, the Group has taken a charge of £0.1 million in 2007 to recognize the issuance of all employee share based options. 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 an 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.

31. 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.

a) 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.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 22, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 25.

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.

b) 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. To manage the currency risk, the Group manages the overall currency exposure mainly through currency forwards. The Group's risk management policy is to hedge a portion of highly probable forecast purchases transactions.

In addition the Group is exposed to translation risk when the results of its various operations are translated from their local functional currencies 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.

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 2010					
Financial assets					
Cash and cash equivalents	1.0	0.9	2.7	0.4	5.0
Trade receivables	2.3	1.9	11.2	0.2	15.6
Other financial assets	3.0	(0.1)	0.7	0.3	3.9
Sub-total	6.3	2.7	14.6	0.9	24.5
Financial liabilities					
Borrowings	—	—	(23.4)	—	(23.4)
Trade and other payables	(1.4)	(0.9)	(11.6)	(1.6)	(15.5)
Other financial liabilities	(3.5)	—	—	—	(3.5)
Sub-total	(4.9)	(0.9)	(35.0)	(1.6)	(42.4)
Net financial assets/liabilities	1.4	1.8	(20.4)	(0.7)	(17.9)
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	1.2	1.5	(23.0)	0.3	(20.0)
Currency exposure	0.2	0.3	2.6	(1.0)	2.1

31. Financial risk management (continued)

£ Millions	GBP	EUR	USD	Others	TOTAL
At 31 December 2009					
Financial assets					
Cash and cash equivalents	2.1	0.6	1.0	0.3	4.0
Trade receivables	1.9	1.6	7.1	0.4	11.0
Other financial assets	3.2	(0.1)	0.6	0.1	3.8
Sub-total	7.2	2.1	8.7	0.8	18.8
Financial liabilities					
Borrowings	—	—	(22.7)	—	(22.7)
Trade and other payables	(1.4)	(0.4)	(6.0)	(1.3)	(9.1)
Other financial liabilities	(3.6)	—	—	—	(3.6)
Sub-total	(5.0)	(0.4)	(28.7)	(1.3)	(35.4)
Net financial assets/liabilities	2.2	1.7	(20.0)	(0.5)	(16.6)
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	1.7	1.7	(21.7)	0.3	(18.0)
Currency exposure	0.5	—	1.7	(0.8)	1.4

If the US Dollar and Euro change against Sterling by 10% (2009: 10%) 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	2010 Profit after tax	2009 Profit after tax
Group		
EUR against GBP		
— strengthened	—	—
— weakened	—	—
USD against GBP		
— strengthened	0.3	0.2
— weakened	(0.3)	(0.2)

c) Interest risk

On 17 March 2009, the Group entered into an interest rate swap agreement to swap its variable US$ LIBOR interest rate on US$30.6 million (£19.2 million) for a fixed rate of interest of 1.99% plus applicable margin to manage exposure to interest rate movements.

The remainder of the Group's borrowings are at variable interest rates and are denominated in a number of currencies including Euros, Sterling, Swiss Francs and US Dollars. If the average interest rates on these borrowings increased/decreased by 0.5% (2009: 0.5%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by £20,000 (2009: £39,000) as a result of higher/lower interest expense on these borrowings.

d) 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 receivables 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.

31. Financial risk management (continued)

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

£ Millions	2010	2009
By geographical areas		
Europe	6.5	5.7
US	7.6	4.6
Asia	1.5	0.7
	15.6	11.0

£ Millions	2010	2009
By type of customers		
Non-related parties	15.6	11.0
	15.6	11.0

£ Millions	2010	2009
Past due 0 — 2 months	5.2	3.2
Past due 3 — 4 months	0.3	0.1
Past due over 4 months	0.2	0.2
	5.7	3.5

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

£ Millions	2010	2009
Gross amount	0.4	0.4
Less: Allowance for impairment	(0.3)	(0.3)
	0.1	0.1
Beginning of financial year	(0.3)	(0.4)
Allowance reversed/(made)	—	0.1
End of the financial year	(0.3)	(0.3)

31. **Financial risk management** (continued)

e) Liquidity risk

The table below analyses the maturity profile of the Group's derivative and non-derivative 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	Total
Group				
At 31 December 2010				
Trade and other payables	15.5	—	—	15.5
Derivative financial instruments	0.4	—	—	0.4
Other financial liabilities	—	3.5	—	3.5
Borrowings	12.7	3.9	6.8	23.4
Total	28.6	7.4	6.8	42.8

£ Millions	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Group				
At 31 December 2009				
Trade and other payables	9.1	—	—	9.1
Derivative financial instruments	0.3	—	—	0.3
Other financial liabilities	—	—	3.6	3.6
Borrowings	3.9	18.8	—	22.7
Total	13.3	18.8	3.6	35.7

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

f) Fair value measurements

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

31. Financial risk management (continued)

The following table presents the assets and liabilities measured at fair value at 31 December 2010.

2010	Level 1	Level 2	Level 3	Total
£ Millions				
Assets				
Derivatives used for hedging	—	—	—	—
Liabilities				
Derivatives used for hedging	—	(0.4)	—	(0.4)

2009	Level 1	Level 2	Level 3	Total
£ Millions				
Assets				
Derivatives used for hedging	—	—	—	—
Liabilities				
Derivatives used for hedging	—	(0.3)	—	(0.3)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is 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. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These derivative financial instruments are included in Level 2.

32. Other information

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of XP Power Limited on 21 February 2011.

Company Balance Sheet

For the financial year ended 31 December 2010

£'000	Note	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	4	545	1,195
Trade and other receivables	5	15,445	10,566
Other current assets	6	594	283
Derivative financial instrument	7	—	41
Inventories	8	5,507	2,930
Total current assets		22,091	15,015
Non-current assets			
Investments in subsidiaries	3	29,786	29,786
Property, plant and equipment	9	2,080	2,144
Intangible assets	10	742	402
Total non-current assets		32,608	32,332
Total assets		54,699	47,347
LIABILITIES			
Current liabilities			
Trade and other payables	12	12,274	11,750
Current income tax liabilities	14	948	474
Derivative financial instrument		143	—
Bank overdraft	15	3,973	—
Total current liabilities		17,338	12,224
Non-current liabilities			
Borrowings	13	—	2,220
Derivative financial instrument		95	—
Deferred income tax liabilities	11	87	84
Total non-current liabilities		182	2,304
Total liabilities		17,520	14,528
NET ASSETS		37,179	32,819
EQUITY			
Share capital	16	29,786	29,786
Hedging reserve	16	(246)	41
Translation reserve	16	447	349
Retained earnings	16	7,192	2,643
TOTAL EQUITY		37,179	32,819

Notes to the Company Balance Sheet

For the financial year ended 31 December 2010

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 401 Commonwealth Drive, Lobby B, #02-02, Haw Par Technocentre, Singapore 149598.

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.

3. Investment in subsidiaries

£'000	2010	2009
Cost at carrying value		
At 1 January	29,786	29,786
Additions	—	—
At 31 December	29,786	29,786

Name of Subsidiary	Place of incorporation Ownership (or registration) and operation	Proportion of Ownership % 2010	Proportion of Ownership % 2009	Auditor of subsidiaries
XP Power Plc	UK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP

4. Cash and cash equivalents

£'000	2010	2009
Cash at bank	545	1,195
Total	545	1,195

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

	GBP £'000	USD £'000	EUR £'000	SGD £'000	SEK £'000	DKK £'000	NOK £'000	TOTAL £'000
At 31 December 2010								
Cash at bank	1	27	441	26	7	—	43	545

	GBP £'000	USD £'000	EUR £'000	SGD £'000	SEK £'000	DKK £'000	NOK £'000	TOTAL £'000
At 31 December 2009								
Cash at bank	534	308	294	6	17	36	—	1,195

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

5. Trade and other receivables

£'000	2010	2009
Trade receivables	1,446	678
Amount receivable from Group companies	13,999	9,888
Total	15,445	10,566

The average credit period taken on sales of goods is 39 days (2009: 35 days). No interest is charged on the outstanding receivable balance.

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

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

6. Other current assets

£'000	2010	2009
Deposit	79	55
Other receivables and prepayments	515	228
Total	594	283

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

7. Derivative financial instruments

The total notional amount of outstanding currency forward contracts that the Company has committed is £10.1 million (2009: £11.8 million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

As at 31 December 2010, the fair value liability of the currency forward contracts recognised under a hedging reserve is £246,000 (2009: fair value asset of £41,000) (Note 16).

December 2010 £'000	Contract notional amount	Fair value (liability)
Current portion	8,345	(151)
Non-current portion	1,786	(95)
Total	10,131	(246)

December 2009 £'000	Contract notional amount	Fair value asset
Current portion	9,406	19
Non-current portion	2,411	22
Total	11,817	41

Certain currency forward contracts were taken up to protect against exchange movements on future sales. These contracts did not qualify for hedge accounting.

The total notional amount and fair value asset of the forward contracts is as follows:

£'000	2010	2009
Contract notional amount	5,559	—
Fair value asset/(liability) of the contracts	8	—

8. Inventories

£'000	2010	2009
Goods for resale	5,507	2,930

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

9. Property, plant and equipment

£ '000	Freehold land	Building	Plant and equipment	Motor vehicles	Building Improvements	Total
Cost						
At 1 January 2009	189	1,533	620	10	163	2,515
Additions	—	(45)	106	—	116	177
Disposals	—	—	(1)	—	—	(1)
Foreign currency translation	(6)	(52)	(21)	—	(6)	(85)
At 1 January 2010	**183**	**1,436**	**704**	**10**	**273**	**2,606**
Additions	—	27	66	—	30	123
Disposals	—	—	—	—	—	—
Foreign currency translation	7	54	26	—	11	98
At 31 December 2010	**190**	**1,517**	**796**	**10**	**314**	**2,827**
Depreciation						
At 1 January 2009	—	8	120	2	64	194
Charge for the year	—	42	144	2	86	274
Disposals	—	—	(1)	—	—	(1)
Foreign currency translation	—	—	(4)	1	(2)	(5)
At 1 January 2010	**—**	**50**	**259**	**5**	**148**	**462**
Charge for the year	—	45	148	2	73	268
Disposals	—	—	—	—	—	—
Foreign currency translation	—	2	10	—	5	17
At 31 December 2010	**—**	**97**	**417**	**7**	**226**	**747**
Carrying Amount						
At 31 December 2010	**190**	**1,420**	**379**	**3**	**88**	**2,080**
At 31 December 2009	183	1,386	445	5	125	2,144

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

10. Intangible assets

£'000	2010	2009
Cost		
Balance at 1 January	402	—
Additions	360	402
Balance at 31 December	762	402
Amortisation		
Balance at 1 January	—	—
Additions	20	—
Balance at 31 December	20	—
Carrying amount		
Balance at 31 December	742	402

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

Amortisation commences when the products are ready for sale.

11. Taxation

£'000	2010	2009
Deferred tax assets	—	—
Deferred tax liabilities	(87)	(84)
Total	(87)	(84)

12. Current liabilities

£'000	2010	2009
Trade payables	5,501	3,242
Amount payable to Group companies	5,659	7,898
Other creditors	1,114	610
Total	12,274	11,750

Trade payables 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.

The Company borrows from subsidiaries at interest rate of 1.5% — 2.5% above LIBOR. The borrowing is repayable upon demand.

13. Non-current liabilities

£'000	2010	2009
Amount payable to Group companies	—	2,220
Total	—	2,220

The Company borrows from a subsidiary at an interest rate of 2.5% above LIBOR and repayable by 2012. Balances as at 2009 have been repaid during the year.

14. Current income tax liabilities

£'000	2010	2009
At 1 January 2010	474	727
Currency translation differences	50	(52)
Income tax paid	(421)	(681)
Current year tax expense	845	480
At 31 December 2010	948	474

15. Bank overdraft

£'000	2010	2009
Bank overdraft	3,973	—
Total	3,973	—

The Company's bank overdraft is denominated in the following currencies:

	GBP £'000	USD £'000	TOTAL £'000
At 31 December 2010			
Bank overdraft	63	3,910	3,973

	GBP £'000	USD £'000	TOTAL £'000
At 31 December 2009			
Bank overdraft	—	—	—

16. Share capital and reserves

Share capital

£'000	2010	2009
Allotted and fully paid 19,242,296 ordinary shares	29,786	29,786

Retained earnings

£'000	2010	2009
Balance at 1 January	2,643	2,418
Dividends paid	(4,708)	(3,929)
Profit for the year	9,257	4,154
Balance at 31 December	7,192	2,643

Translation reserve

£'000	2010	2009
Balance at 1 January	349	337
Exchange differences on translation	98	12
Balance at 31 December	447	349

16. Share capital and reserves (continued)

Hedging reserve

£'000	2010	2009
Balance at 1 January	41	550
Fair value (losses)/gains	(287)	(509)
Balance at 31 December	(246)	41

17. Financial risk management

The Company'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 Company seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

a) Capital risk

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

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 13, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 16.

b) Currency risk

The Company operates in Asia, Europe and North America and its activities expose it to transactional risks resulting from changes in foreign currency exchange rates. The Company monitors and manages these transactional foreign exchange risks relating to the operations of the Company through internal reports analysing major currency exposures. Where possible the Company 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. To manage the currency risk, the Company manages the overall currency exposure mainly through currency forwards. The Company's risk management policy is to hedge a portion of highly probable forecast sales transactions.

In addition the Company 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 Company's revenues and earnings are derived in US Dollar. The Company is therefore exposed to risk when these US Dollar revenue streams are translated into Sterling for Group reporting purposes. The Company regards this as a fundamental consequence of operating in markets which are dominated by US Dollar transactions. The Company does not hedge this translational risk as there is no underlying mismatch of foreign currencies as the translation is merely performed for reporting the Company's results in Sterling.

17. Financial risk management (continued)

b) Currency risk (continued)

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

At 31 December 2010 £'000	GBP	EUR	USD	Others	Total
Financial Assets					
Cash and cash equivalents	1	441	27	76	545
Trade and other receivables	24	1,884	13,305	232	15,445
Other financial assets	337	(101)	244	114	594
Subtotal	362	2,224	13,576	422	16,584
Financial Liabilities					
Borrowings	(63)	—	(3,910)	—	(3,973)
Trade and other payables	(5,044)	(65)	(6,468)	(697)	(12,274)
Other financial liabilities	—	—	—	—	—
Subtotal	(5,107)	(65)	(10,378)	(697)	(16,247)
Net financial (liabilities)/assets	(4,745)	2,159	3,198	(275)	337
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	—	—	3,198	—	3,198
Currency exposure	(4,745)	2,159	—	(275)	(2,861)

At 31 December 2009 £'000	GBP	EUR	USD	Others	Total
Financial Assets					
Cash and cash equivalents	534	294	308	59	1,195
Trade and other receivables	2,061	1,951	5,892	662	10,566
Other financial assets	237	(152)	140	58	283
Subtotal	2,832	2,093	6,340	779	12,044
Financial Liabilities					
Borrowings	—	—	(2,220)	—	(2,220)
Trade and other payables	(7,752)	(193)	(2,991)	(814)	(11,750)
Other financial liabilities	—	—	—	—	—
Subtotal	(7,752)	(193)	(5,211)	(814)	(13,970)
Net financial (liabilities)/assets	(4,920)	1,900	1,129	(35)	(1,926)
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	—	—	1,129	—	1,129
Currency exposure	(4,920)	1,900	—	(35)	(3,055)

c) Interest risk

The Company borrows from subsidiaries at interest rate of 1.5% — 2.5% above LIBOR.

d) Credit risk

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

The Company is not exposed to significant credit risk as majority of the sales are made to the subsidiaries.

The Company 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.

17. **Financial risk management** (continued)

e) Liquidity risk

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

£'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2010					
Trade and other payables	12,274	—	—	—	12,274
Borrowings	3,973	—	—	—	3,973
Total	16,247	—	—	—	16,247

£'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2009					
Trade and other payables	11,750	—	—	—	11,750
Borrowings	—	—	2,220	—	2,220
Total	11,750	—	2,220	—	13,970

The Company manages the liquidity risk by maintaining sufficient cash and bank facilities to enable it to meet its normal operating commitments.

f) Fair value measurements

Effective 1 January 2009, the Company adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets and liabilities measured at fair value at 31 December 2010.

2010	Level 1	Level 2	Level 3	Total
£'000				
Liabilities				
Derivatives used for hedging	—	(238)	—	(238)

2009	Level 1	Level 2	Level 3	Total
£'000				
Assets				
Derivatives used for hedging	—	41	—	41

FINANCIAL STATEMENTS

Five Year Review

	2010 £ Millions	2009 £ Millions	2008 £ Millions	2007 £ Millions	2006 £ Millions Restated
Results					
Revenue	91.8	67.3	69.3	66.3	78.7
Profit from operations	19.7	9.6	9.3	6.7	9.3
Profit before tax	18.6	8.4	10.2	5.0	8.0
Assets employed					
Non-current assets	47.7	45.6	43.3	39.7	39.2
Current assets	43.1	26.9	35.6	27.3	30.0
Current liabilities	(32.0)	(15.8)	(22.7)	(13.2)	(21.5)
Non-current liabilities	(16.0)	(24.2)	(27.2)	(24.0)	(18.3)
Net assets	42.8	32.5	29.0	29.8	29.4
Financed by					
Equity	42.6	32.2	28.8	29.6	29.4
Non-controlling interests	0.2	0.3	0.2	0.2	—
	42.8	32.5	29.0	29.8	29.4
Key statistics (pence)					
Earnings per share	83.9	39.4	46.5	17.9	27.9
Diluted earnings per share	83.2	39.3	46.4	17.8	27.5
Diluted adjusted earnings per share	83.7	40.8	34.8	31.4	32.8
Share price in the year (pence)					
High	1,100.0	455.0	285.0	528.4	486.5
Low	418.5	115.8	121.0	235.3	327.0

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Shareholder Notes

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