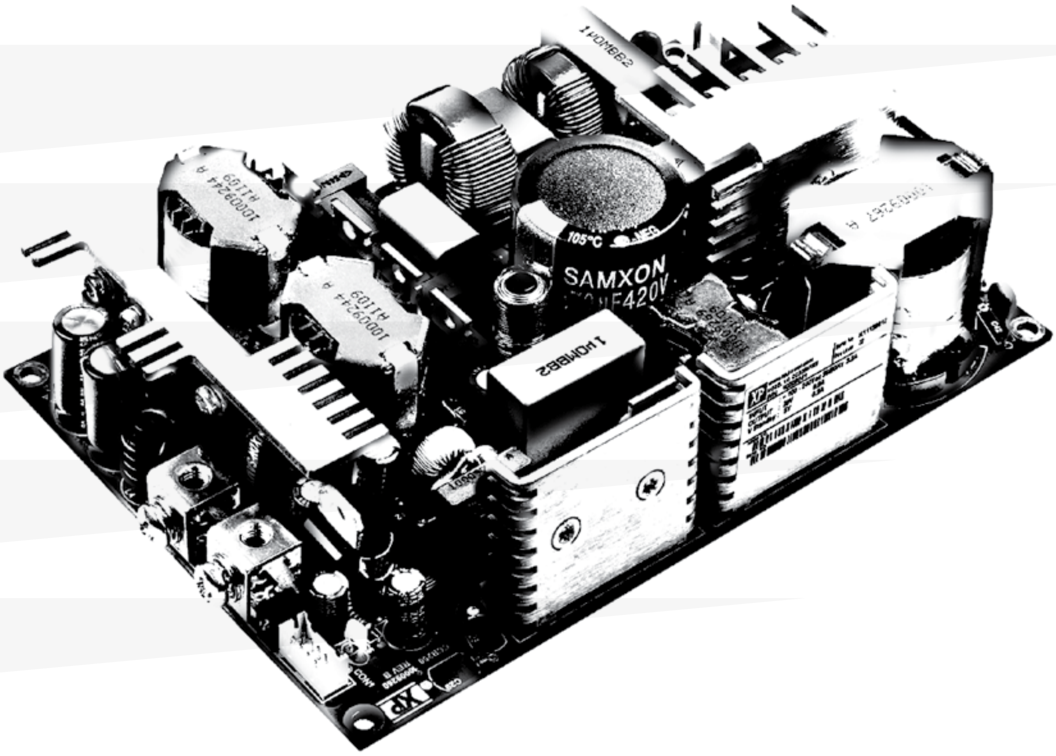
Outstanding Performance
and Environmental Excellence

World Leading
Critical Power Solutions



XP Power

Annual Report & Financial Statements

for the year ended 31 December 2011

Stock code: XPP

THE XPERTS IN POWER

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.

Our Value Proposition

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

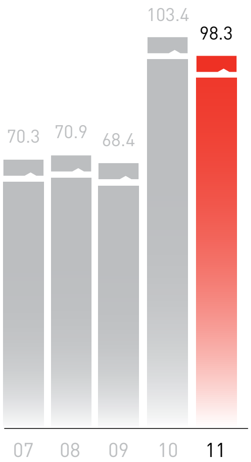
Our Mission

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

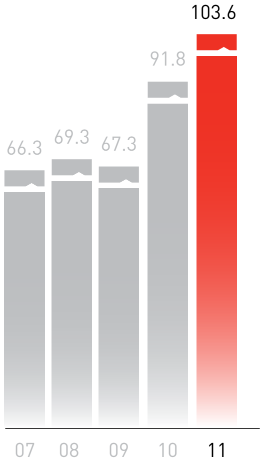
Contents

XP Financial and Operational Highlights

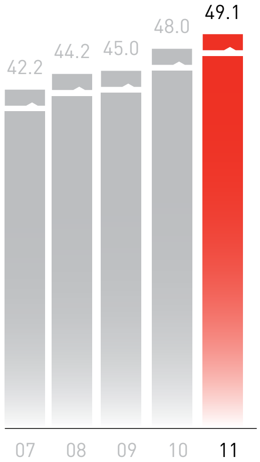
ORDERS
(£ MILLIONS)
-5%
at £98.3m
2010: £103.4m



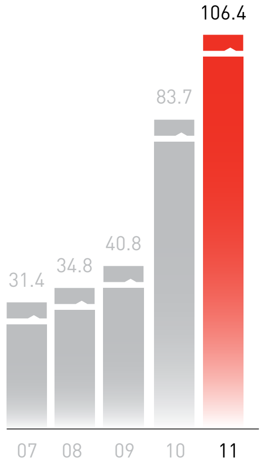
REVENUE
(£ MILLIONS)
+13%
at £103.6m
2010: £91.8m



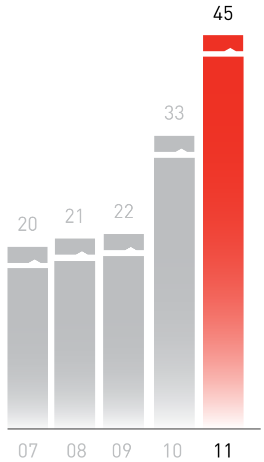
GROSS MARGINS
(%)
+110BP
at 49.1%
2010: 48.0%



DILUTED ADJUSTED EARNINGS PER SHARE
(PENCE)
+27%
at 106.4p
2010: 83.7p



DIVIDENDS
(PENCE)
+36%
at 45p
2010: 33p



"Our strategy and its execution resulted in earnings per share of 106.4p for 2011, an increase of 27% over 2010. The compound average growth rate of earnings per share has been 27% over the last 5 years and 18% over the last 10 years."

Larry Tracey, Executive Chairman

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

Growing Presence in a Global Market

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 Representatives or Distributors. This factory direct sales force allows our customers' direct access to all facets of the business from engineering and design through to the factory and logistics.

Our factory direct sales force allows our customers' direct access to all facets of the business.

Knowledge Management Tools — Projects Database

Our proprietary knowledge management tool — the Projects Database — has been continuously developed over the last ten years. It allows us to closely manage our customers on a global basis, many of whom have engineering capabilities on one continent and manufacturing on another.

Our sales force capture all the relevant information regarding new design-in opportunities as they develop. The potential program is tracked through its lifecycle from initial Identification, then Quotation and Sample provision through to Approval by the customer and eventual Production when XP Power starts to earn revenue from the design in work it has done. The cycle time from Identification of a program at a specific customer to achieving the first pre-production revenue is typically around 18 months. For healthcare customers this cycle can be substantially longer due to the complexity and rigour of their approval processes.

The XP Power Sales Cycle

IDENTIFICATION
↓
QUOTATION
↓
SAMPLE
↓
APPROVAL
↓
PRODUCTION

In addition to the data highlighted the sales force will also record if we fail to win a program and the reason for this, and any information they are able to determine regarding the competition within the particular program. This information is extremely valuable for our marketing teams to review our pricing and more importantly develop ideas for new products.

Sales management can view the data in many different formats and use this to manage the sales force and ensure we are identifying sufficient new programs to continue to fill the sales funnel. Successes with particular customers or applications can also be leveraged to target similar customers or applications in different geographies or regions.

"The way we use these tools is considered to be one of our key advantages over our competition"

As we move up the value chain and deal with larger blue chip customers a number of them will undertake development programs involving different locations which are often on different continents. In these circumstances we adopt a team selling approach; our knowledge management tools allow the sales people in these teams to share information real time and provide a truly joined up service to the customer. Often the program will move to Asia for manufacture where our Projects Database allows the Asian sales team to seamlessly take over management of the customer's program.

Once in production our materials management team in the factory are able to input this data into their MRP (Manufacturing Resource Planning) system to procure components against forecast and ensure timely delivery. The highly diverse nature of our customer base and applications make these knowledge management tools vital to running our business. The way we use these tools is considered to be one of our key advantages over our competition.

Our Market Position

Whilst the global power converter market appears highly fragmented, we compete with around fifty manufacturers of power solutions capable of operating on a worldwide basis. Our global market share in 2011 was approximately 7%, up from a share of 6.5% in 2010. Across Europe we have around 12% of the market and 10% in North America, whilst our share across Asia is 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 market-leading in terms of size and energy efficiency. Consistent investment in research and development has enabled XP Power 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.

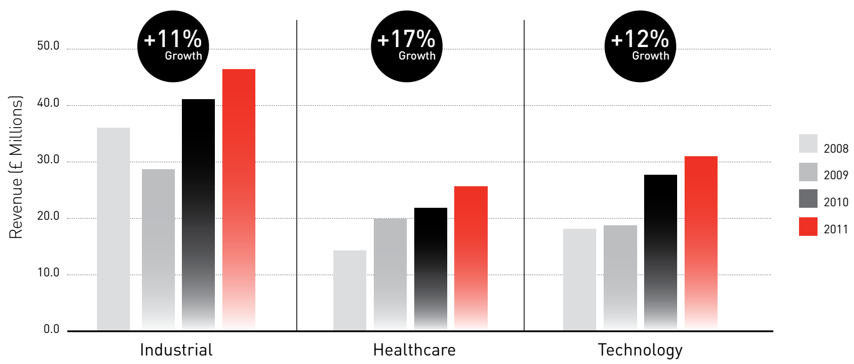
Competitive Advantage

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.

The Global Power Converter Market

Source: XP management estimates/Micro-Tech Consultants.

4 Year Revenue Trend by Industry Sector



Following a decline in the industrial sector in 2009 all three business segments recovered strongly in 2010 and continued to grow in 2011.

Growth Drivers

"Green Power"

The requirement from customers and legislation for products to consume and waste less energy is driving 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 multiple engineering teams across the globe.

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.

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.

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

EMH350

Ultra compact 3 x 5 inch footprint.

Industry Leading Packing Density

Suitable for both IT and healthcare applications (including equipment that comes into contact with the patient) the EMH350 provides 350 Watts of power in a class leading 3 x 5 inch package. Unlike many competitor models, full power is available from low input voltages of 90VAC and the unit does not de-rate until +50 degrees C operating temperature. This series also provides customers with the choice of analogue or digital control options.

ECS65

Next generation ECM.

65 watts of "Green Power"

The ECS is the next generation of our well proven ECM family of low power products. Offering improved efficiency and five watts of additional green power in the industry standard 2 x 4 inch footprint, all models have a no load power of less than 0.5 W, helping the end equipment comply with internationally recognized energy efficiency standards.

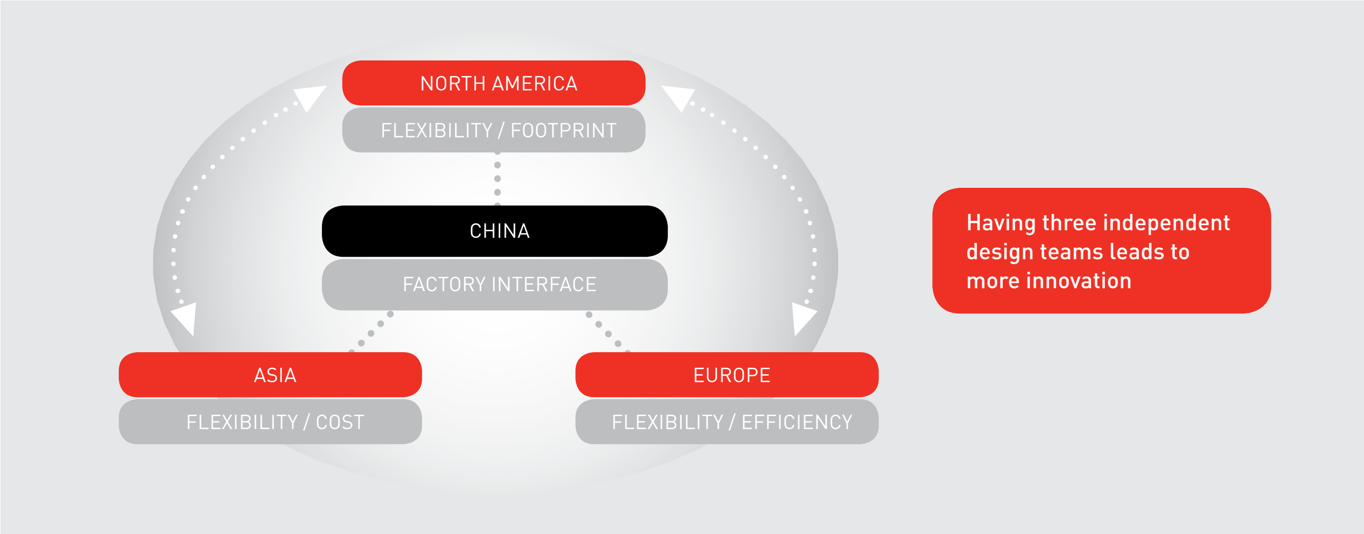
SHP/MHP1000

1,000 Watts of power for industrial and healthcare applications.

High power density AC-DC supplies

The SHP/MHP1000 series of AC-DC power supplies extends our offering to 1,000 watts for industrial and medical applications. Fully enclosed and with an integral fan this series has a power density of 8.9 Watts/cubic inch and can provide 1,000 Watts across the full input range. This means we are now able to offer a cost effective single output solution where formerly we would have had to offer a unit from our configured series which are inherently more expensive (see case study on page 17 for MHP650).

Research and Development



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.

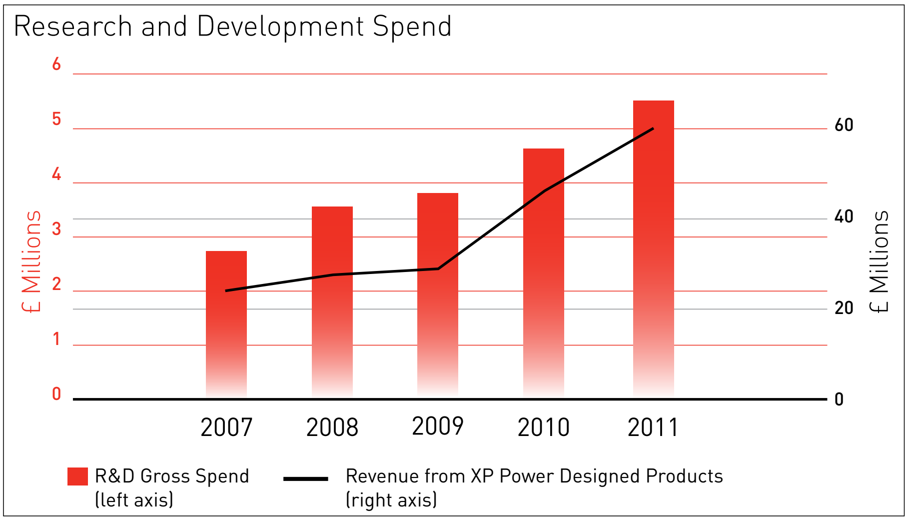
Research and Development Spend

Even during the world wide 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.

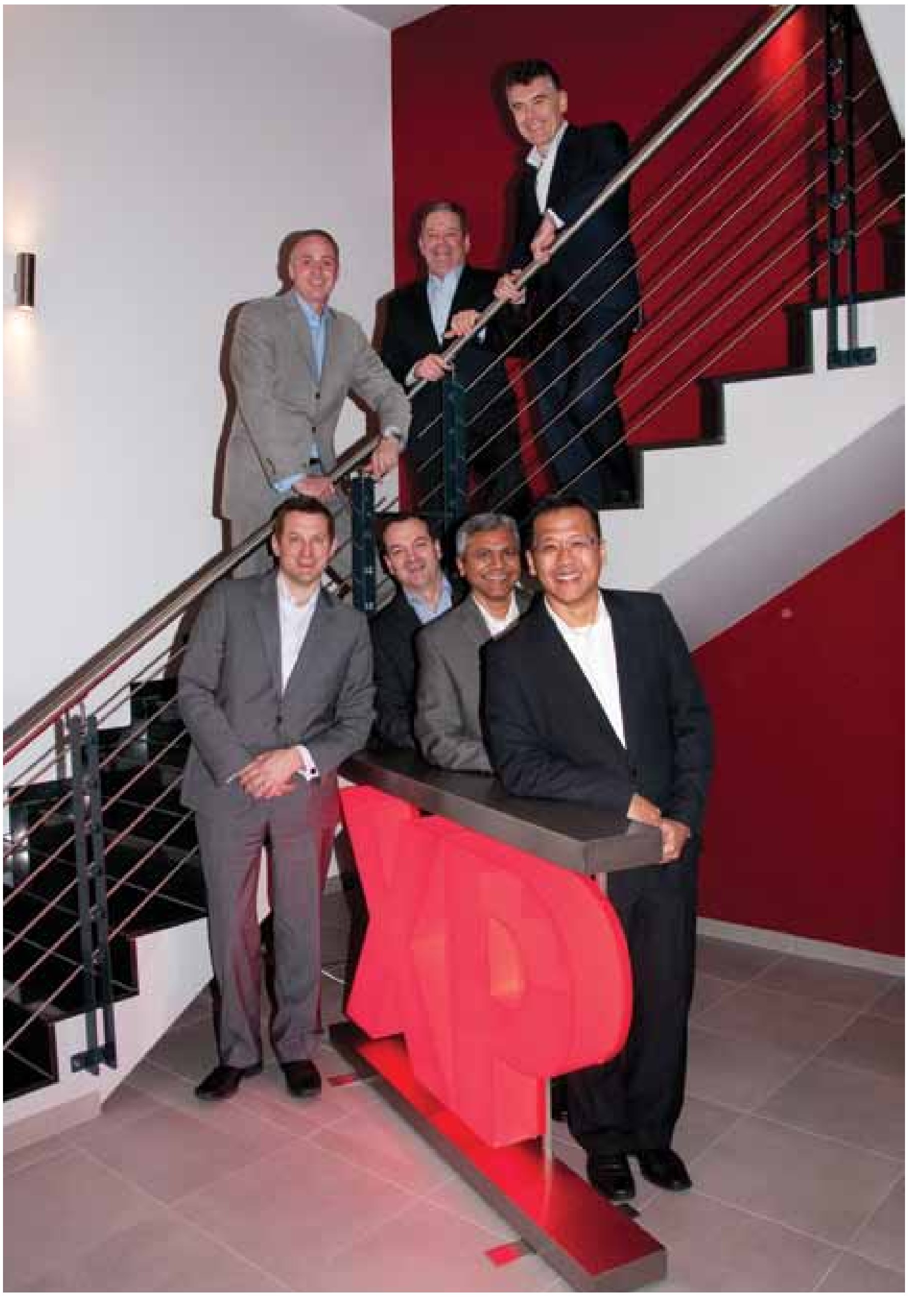
"We believe we have the most efficient product design team in our industry with the lowest costs per new product developed."

The XP Power product selector is now available as a smartphone app.



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

Meet the team



Pictured on stairs from right to left: Duncan Penny, Mike Laver and Jay Warner. Standing right to left; Andy Sng, Hiren Shah, Jonathan Rhodes and Peter Blyth.

Corporate Management

Duncan Penny, Chief Executive

Duncan joined XP Power in 2000 as Finance Director and became Chief Executive in 2003. He has 12 years of service with the Company, 5 of which have been in Asia developing the Group's manufacturing capabilities.

Mike Laver, President, World Wide Sales and Marketing

Mike heads the XP Power sales and marketing teams around the world and is also heavily involved in specifying the products that are developed. Mike is based in Northern California and has over 19 years of experience in the power converter industry, the last 12 with XP.

Jonathan Rhodes, Finance Director

Jonathan joined the Group in July 2008 as European Financial Controller and was appointed Finance Director in December 2011. Prior to joining XP Power, Jonathan spent 9 years with JCDecaux in various senior financial positions including Head of Financial Reporting. During his tenure at JCDecaux he worked in both their UK and North American organisations. Prior to that, he spent 3 years with Mills & Allen.

Sales Leadership

Our sales teams under Mike Laver are organized into three geographies; Asia, Europe and North America. Given the global nature of many of our larger customers the sales leaders and their respective team members work closely together. It is not uncommon for customers to have design teams on one continent and manufacturing or sub-contract manufacturing on another, therefore a joined up approach is essential to providing excellent support and service.

Andy Sng, General Manager Asia

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. Andy is now responsible for driving our sales teams in Asia. Prior to joining XP Power, Andy worked in the power converter industry for eight years in various technical and commercial roles with companies such as Silicon Systems (Singapore) and Advanced Micro Devices (Singapore).

"The Executive Management Team has an average age of just 44 years but an impressive average length of service with XP Power of 12 years"

Gary Bocock and Richard Bartlett discussing a new product during one of our Engineering Roadmap meetings.

Peter Blyth, Executive Vice President, Europe
Peter joined the Group in 1997 in the UK and subsequently spent 7 years working in XP Power in North America successfully building our healthcare business. Peter moved back to Europe in 2011 and is now responsible for European sales.

Jay Warner, Executive Vice President, North America Sales
Jay joined the Group in 2000 and is based in our North California office. Jay has held a number of senior sales roles and took over responsibility for running sales throughout North America in June 2009.

Technical Leadership

Hiren Shah, Executive Vice President, Engineering
Hiren heads up our three R&D centres in Singapore, UK, and USA. Hiren joined the Group in May 2002 on the acquisition of SSI. Hiren has 29 years experience in power converter design and holds degrees in both physics and electronic engineering.

Yap Chee Tiong, Head of Manufacturing
Yap heads up the Group's manufacturing operations in both Kunshan, China and Ho Chi Minh, Vietnam. Yap joined the Group in 2008 from Venture in Shanghai. Yap has held senior positions in both manufacturing and marketing and has over 20 years experience in electronics manufacturing. He has worked in Singapore, Malaysia and Japan as well as China.

Gary Bocock, Technical Director
Gary has been with the Group since 1995 and has performed a number of senior technical and managerial roles including running the UK business. Gary heads up our worldwide technical applications support teams and is also responsible for the Group's third party product development. Gary has 27 years of experience in the power converter industry.

Richard Bartlett, Director, Product Realisation
Richard joined the Group in 1993 and has over 20 years of experience in the power converter industry. During his time with the Group Richard has performed a number of technical, manufacturing and sales roles.

Richard's role is to manage the product realisation process in its entirety from the product specification through to design and eventual transfer into the manufacturing facilities.

Sean Ross, Vice President, Quality Assurance
Sean joined the group in 2000 and heads up our worldwide quality organisation. Sean has 17 years experience in the quality profession 13 of which have been gained in the power converter industry. Sean has also spent time in the medical device manufacturing sector and has experience with Six Sigma and Lean Manufacturing.

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 equipment or 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 first 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.

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

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 equipment when in service. 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.

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.

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 since opening our new Kunshan, China factory in 2009, particularly in the healthcare sector, is a validation of the success of this strategy.

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.

Further Vertical Integration — Vietnam

As previously reported the Group 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 the facility was completed in December 2011.

"Further vertical integration from Phase I Vietnam enhances the value proposition to our customers and mitigates the effect of rising costs in China."

In the first phase of its development, this new facility will be used to manufacture magnetic components, which we currently source from third parties. This further vertical integration enhances the value proposition to our customers and mitigates the effect of rising costs in China. We expect to start building a second factory on our Vietnamese site when we are at approximately 50% capacity in the first phase factory.

In addition, as a new-build plant, the new Vietnamese manufacturing facility will be the most environmentally friendly in the industry, as discussed in the Environmental Report on pages 10 to 13.

Quality Assurance

XP Power has always put great emphasis on ensuring it provides a quality product to its customers. This is highlighted by XP Power's customer base, which comprises of customers representing many different business sectors but all with a very high level of quality expectation. As an example, our customers' end products may be used to support a critical healthcare application for a patient or in an industrial application for process automation. In either application, any downtime would most likely have a significant impact or create an opportunity for lost business.

Each customer has their own unique standards and definition of quality. XP Power understands the importance of quality and is proactive in all facets of its business to continually improve quality standards and exceed customer expectations. XP Power has developed a culture within the organization in which quality is the core foundation and continuous improvement activities are the norm. Quality is an organizational commitment and this is communicated and transparent throughout all levels of the business.

XP Power has always put great emphasis on ensuring it provides a quality product to its customers.

Kunshan quality team members performing Ongoing Reliability Testing.

In 2011, XP Power invested in personnel and equipment to support further quality management programs that ensure the highest reliability of our products. In addition, all of XP Power's key facilities have achieved registration with the ISO9001:2008 quality management standard. Our Kunshan factory has also been accredited to ISO13485:2003 which is the quality management system for medical device manufacturers. These were implemented so that the management systems are under one structure which has helped XP Power ensure consistency of our quality practices and objectives throughout the organization. Highlights of XP Power's progressive quality management program include:

Customer Quality Assurance
- Customer feedback through surveys
- Defective Parts Per Million tracking and trending
- Account management through use of e-tools

Design Quality Assurance
- Industry leading component de-rating guidelines
- Risk Management Program
- Design and Specification Verification Testing

Manufacturing Quality Assurance
- State of the art manufacturing facility
- Kaizen team projects to improve the output of our operations
- Ongoing reliability testing throughout the life cycle of the product

Supplier Quality Assurance
- Cross functional supplier assessment group
- Material qualification program
- Ongoing monitoring of supplier quality, delivery and cost performance

XP Power continues to execute its strategy of targeting blue chip customers and expanding its in-house design and manufacturing capability. The important differentiator will be that we continue to exceed our customers' quality expectations. XP Power is well positioned to do this with its global reach and an organisational understanding that quality is the core foundation of success.

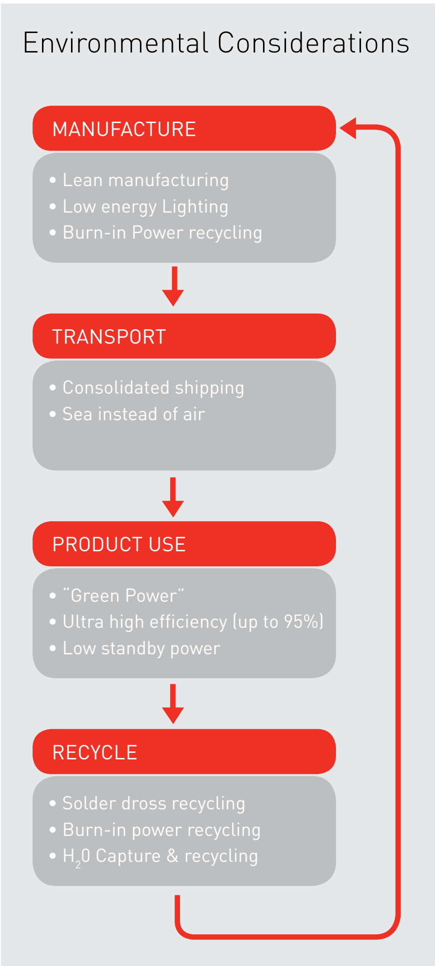
Our Commitment to the Environment

Protecting the Environment

In 2009, XP set itself the bold goal of becoming the leader in environmental performance within the power converter industry. I am pleased to report further significant progress towards this objective during 2011. In particular we have been accepted as full members of the Electronic Industry Citizenship Coalition (EICC) and our overall performance has been recognised both by admission to the FTSE4Good Index and by further positive feedback from our customers.

Environmental Considerations

We have engrained environmental and sustainability awareness into our culture so that the environmental impact of our activities is a consideration at every stage of the product lifecycle. This awareness starts with design of the product, sourcing components to ensure they do not contain non-permitted harmful substances or conflict minerals, through manufacture, transportation, operation and finally to its recycling.



The environmental effects of each our activities are always a top priority.

Uniquely Positioned

XP Power 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 typically less than 50% efficient, with more than 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. This allows 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, XP Power is committed to developing technologies that further reduce energy wastage.

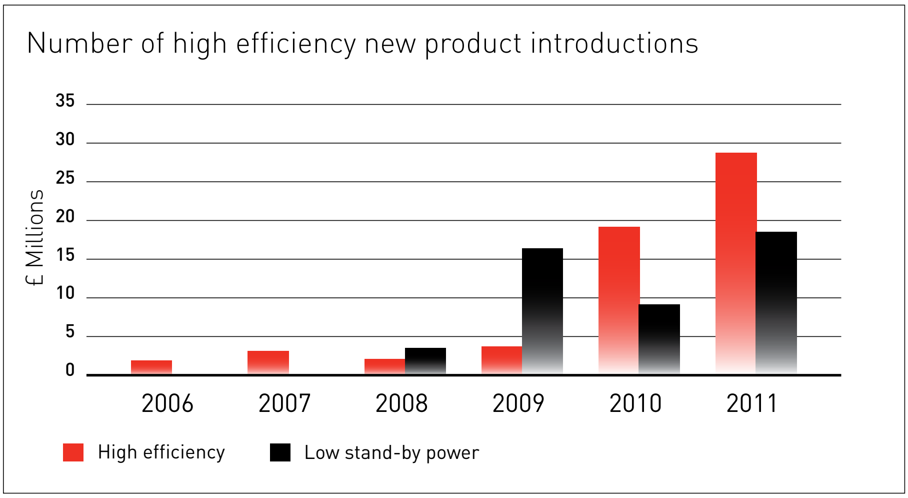
Continuing to improve the efficiency of our products and educating our customers in the benefits of solutions that consume and waste less resource is the biggest positive impact we can have on the environment.

XP Power and Efficient Energy Conversion

XP has consistently raised the bar in terms of power converter efficiency and, as the chart below illustrates, has increased the number of high efficiency and low stand-by power products in its ranges significantly in recent years. (Stand-by power is the energy consumed by the power converter when the equipment it powers is idle and not operating.) We now offer a range of class leading products which are up to 95% efficient.

GREEN•POWER

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



Environmental concerns, reliability and legislation drive demand for high efficiency products.

"Improving the efficiency of our products and educating our customers in the benefits of solutions that consume and waste less resource is the biggest impact we can have on the environment."

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

"Environmental concerns, reliability and legislation drive demand for high efficiency products"

Employee relations

Our people are our most important asset and we make great efforts to ensure an environment of open communication with frequent employee meetings providing opportunities for two way communication between our management and staff. In addition, our factories have employee committees which provide a more formal mechanism for staff to feedback issues and ideas to management. Our workforce is also free to join unions and we have formal policies in place to ensure staff are treated fairly and have equal opportunities.

These meetings have proved to be excellent forums for promoting environmental awareness, with employees suggesting many excellent ideas to improve our environmental performance.

All our main sites have environmental representatives who champion environmental awareness and share best practices and ideas across the Company. They meet regularly to assess progress and these meetings are chaired by the Chief Executive. Feedback from these meetings is also shared with the Environmental Committee.

Manufacturing

Our manufacturing operations have continued to make great strides in reducing their environmental impact per unit of production. Our ISO14001 certified manufacturing facility in Kunshan, China is equipped with the latest low energy lighting using efficient electronic ballasts and has developed a novel way to recycle 50% of the power used in the burn-in testing of our products. Computer control and capture of data from this equipment has allowed us to reduce our burn-in times saving even more energy and therefore reducing CO_2 emissions.

Electronic loads allow 50% of the power used during burn-in testing of the product to be recycled.

We were pleased to have the environmental performance of our Kunshan facility recognised by the recent award of an "A" rating on an environmental audit from a new blue chip Japanese customer.

Waste from our soldering processes is now recycled on site, again reducing our impact on the environmental and reducing our costs.

The performance and achievements of our Kunshan facility have been built on and developed further in the design of our new manufacturing facility in Vietnam.

On site recycling of solder waste reduces our impact on the environment and lowers our costs. From top, Solder dross discarded from the wave soldering process, solder recycling machine and, finally, a recovered solder bar.

We were pleased to have the environmental performance of our Kunshan facility recognised by the recent award of an "A" rating on an environmental audit from a new blue chip Japanese customer.

Vietnam Facility – The Most Environmentally Friendly in the Industry

The construction of our new Vietnamese manufacturing facility which started in December 2010 is now complete. This facility is the most environmentally friendly power converter manufacturing facility in the world and will meet the Gold Plus rating of the BCA Green Mark requirements which are the leading standards set by the Singapore Building and Construction Authority for non-residential buildings in tropical climates. This covers not only the energy efficiency of the building but also water efficiency, environmental protection, indoor environmental quality and other green features and innovations. We are proud that this is not only the most environmentally friendly building in our industry but will be the first BCA Green Mark certified facility in Vietnam.

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

High efficiency air conditioning systems have been deployed and energy saved through an efficient building envelope.

"Our Vietnam factory is the most environmentally friendly manufacturing facility in our industry"

Targets and performance

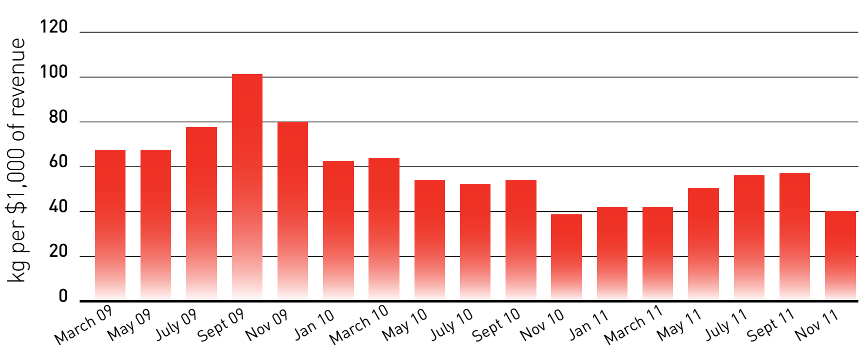
We have set ourselves a target of reducing our CO2 emissions per unit of revenue by 5% per annum over the next five years. This aim aligns us with the Chinese Government's target of reducing carbon emissions per unit of GDP by 40% to 45% between 2005 and 2020. The attached graph shows the three month moving average of CO_2 emissions per unit of revenue at our Kunshan facility. We consider that we are currently ahead of our CO_2 reduction targets and the features that we have built into our new Vietnamese facility will allow us to continue to improve.

Although we do not use water within our manufacturing processes and are therefore a low level water user, we recognise that we operate in geographies where water availability is scarce. For that reason we operate practices around the world to help reduce the amount of water our facilities consume. Again, our new facility in Vietnam leads the way with an on site water capture and recycling system supplying "grey water" to the building's plumbing systems.

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 also good for our business.

Kunshan CO_2 Emissions Per Unit Revenue



All key sites covered by ISO14001

We made excellent progress in respect of our outstanding ISO14001 certifications during the year. The Group's key sites have long maintained policies and practices to reduce energy and material consumption whilst also recycling wherever practicable. During the year, both our German and Singaporean organisations gained their ISO14001 certifications, meaning all of our key sites are now covered by this standard, demonstrating our commitment to environmental responsibility clearly to customers and suppliers alike.

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. We achieved this in June 2010 and in March 2011 we achieved Full Membership status. We have adopted the EICC Code of Conduct and have been working with our key suppliers to ensure they too are compliant with the Code.

We have been actively engaged with the EICC and have representation on the EICC's Environmental Sustainability Working Group and associated Water and Training sub-groups.

Full Member EICC Electronic Industry Citizenship Coalition

Doing good in the community: providing student work experience in the design centre.

FSTE4Good

In September 2011 the progress XP Power is making on environmental matters was recognised when the Company was selected for inclusion in the FTSE4Good Index.

The FTSE4Good Index is a tool to help responsible investors to identify and objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

For inclusion eligible companies must meet criteria in the following categories:

- Working towards environmental sustainability;
- Up-holding and supporting universal human rights;
- Ensuring good supply chain labour standards;
- Countering bribery; and
- Mitigating and adapting to climate change.

FTSE4Good

XP Power is now included in the FTSE4Good Index

We have electric car charging stations installed at two of our North America facilities.

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.

Next Steps

XP Power will continue to lead the industry in addressing the effect its activities have on the environment. We will achieve this by:

- Continuing to lead the field in the development of high efficiency power conversion technology and encouraging more of our customers to select these types of converters for their projects; and
- Challenging, encouraging and helping to educate our work force, customers and suppliers to adopt practices that reduce energy and resource consumption and protect our planet from pollution and its people from exploitation.

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

David Hempleman-Adams
Chairman
Environmental Committee

FSC

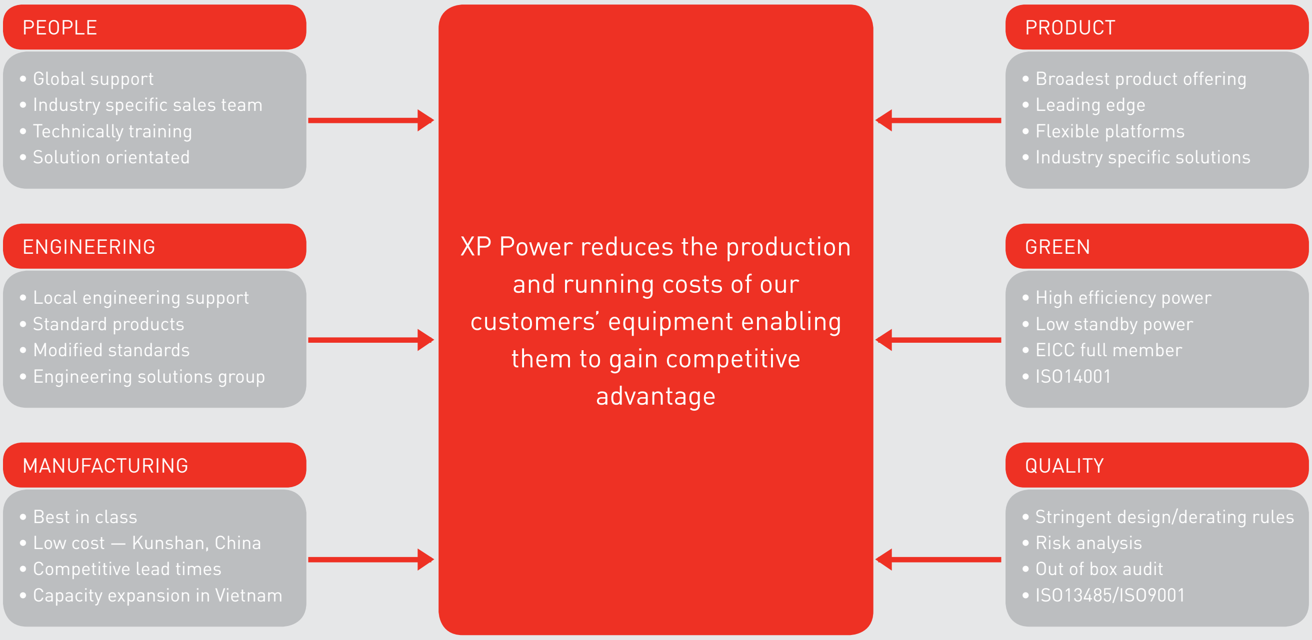
The printers of this Annual Report are certified by the Forest Stewardship Council; this means they are ethically minded and the paper comes from a managed resource.

Our Value Proposition to Our Customers and Shareholders

"XP Power's products reduce 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.

Value Proposition



Strategic clarity and consistency underpins our success

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 has paid off. Starting in 2007 we have produced 5 successive years of record earnings even through the "great recession" of 2008/9. That performance was due to a successive stream of program wins from new product introductions. 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 on three different continents, is not only talented but given a relatively young average age has an impressive average length of service. The breadth and depth of experience and collective teamwork of our people delivers genuine value to our customers.

- **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.

The XP Power management team average over 12 years of service.

- **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 product solutions which allow the customer to more easily integrate the power converter into their equipment therefore delivering a cost saving.

- **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.

"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."

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 logistical 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.

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

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.

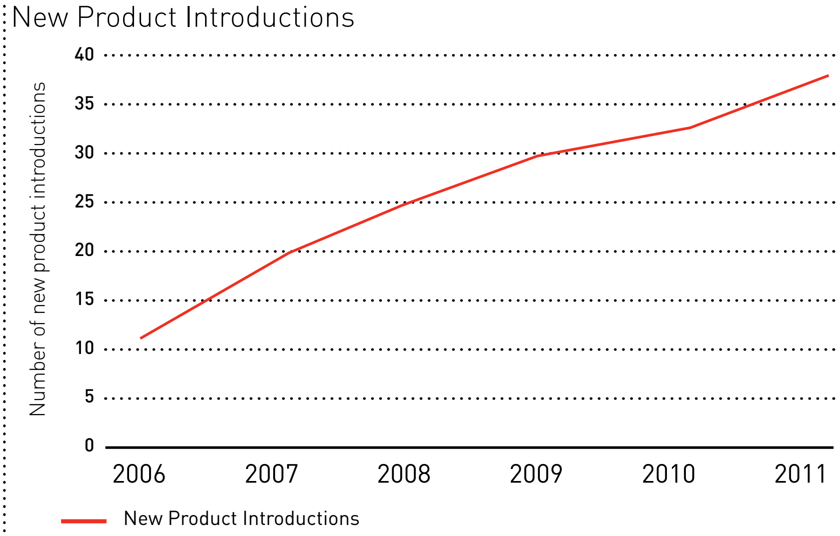
The fundamental selection criteria are as expected — competitive pricing and excellent quality and reliability. Customers in the power conversion market also require preferred suppliers with wide product ranges with the potential to satisfy future product requirements. XP Power scores strongly here, 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.

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.

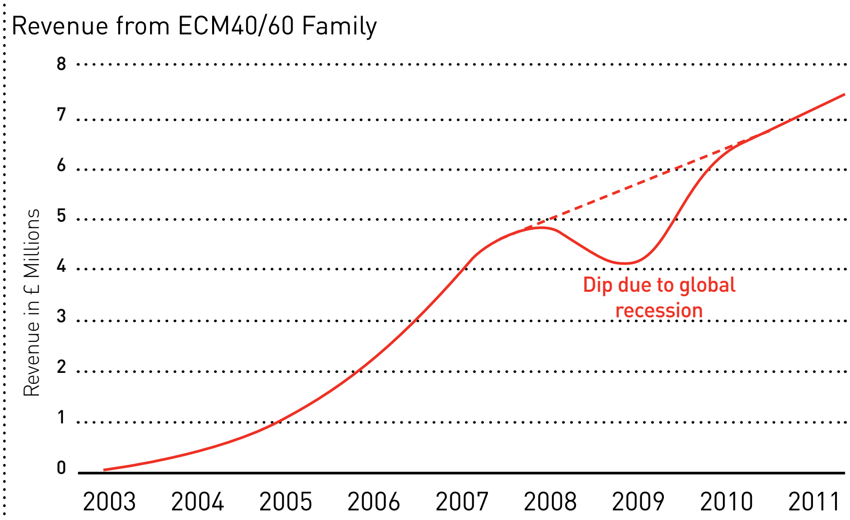


We have accelerated the number of new product introductions significantly since 2006 to create the largest, freshest portfolio in the industry.

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 at least 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.



Product revenues from our ECM40/60 family, the first 2 by 4 inch footprint product, now widely adopted in the industry. Eight years since its introduction revenues have continued to grow.

Case Study

MHP650 series

Following an initial corporate presentation and introductory meetings to present our value proposition to a large international medical equipment manufacturer, XP Power was able to become a preferred supplier of power converters to the business. The company was originally attracted to XP Power because of our broad portfolio of standard medical products. A specific high volume program was identified and XP Power engaged to provide a solution. As the end product was medical equipment, the customer's key considerations were; medical safety approvals, competitive pricing, low heat dissipation, small size, and uncompromising quality.

We worked together with the customer to choose an appropriate solution; the MHP650 series. This product is the smallest and most efficient 650 Watt medical product in the market. XP Power's class leading factory in China, ensured it was well positioned to be competitive with regard to both cost and quality, and provide the flexibility and speed needed within a short delivery timeline. As XP Power has self certification status in agency safety listing we were able to offer fast compliance and already had all medical products listed to IEC60601-1 3rd Edition. XP Power's solution outperformed on all the important customer criteria compared to the competition and we were delighted to be chosen for the program.

As the customer worked more on their design, they found two new issues. First, the DC motors they were using had unusually high peaks, and second, the system radiated EMI (electrical noise) was above the desired limits. Our direct technical sales force, enabled us to have an Industry Manager, Application Engineer and Design Engineer at the customer's site quickly to understand their unique problems. As partners, XP Power and the customer found solutions by modifying both the power converter and customer system. The final solution was a power supply that is rated to 650 Watts but can hit the customer peaks of 1,300 Watts for a brief period of time without comprising other aspects of design. There were also improvements made to EMI performance in certain bandwidths to allow the customer system to pass all necessary and desired levels. The solution resulted in a dramatic size and cost saving for the customer.

The critical success factors to winning this program were:

- ✔ Our direct technical sales staff (largest in the world);
- ✔ Large standard medical product range — offering a close fit;
- ✔ Dynamic and flexible manufacturing factory in China; and
- ✔ Medical industry expertise.

This resulted in design win of over $2.4 million per annum which is expected to run for at least 5 years.

"We have accelerated the number of new product introductions significantly since 2006 to create the largest, freshest portfolio in the industry."

XP Questions & Answers

Q
What is a power converter?

A
A power converter is an essential hardware component required in every piece of electrical equipment. The task of the component is to convert the power from the mains supply into the right form for the equipment to function.

Q
Who are XP Power's main customers?

A
XP's power converter solutions are typically designed-in to the end products of major Original Equipment Manufacturers (OEM's). The Group has a highly diversified customer base of over 5,000 customers, including 94% of the S&P 500 equipment manufacturers. The list contains many well-known blue chip companies but confidentiality restrictions prevent us from naming them.

Q
What end markets is XP Power exposed to?

A
XP is a supplier to manufacturers of capital equipment in the worldwide Industrial, (circa 40% of sales) Healthcare (circa 30% sales) and Technology (circa 30% of sales) markets. The group has no direct exposure to the consumer electronics sector.

Q
What is the life cycle of a typical customer program?

A
Once designed in to a customer program, XP has a revenue annuity over the life cycle of the customer's product which is typically between 5 to 7 years and sometimes longer depending on the particular application and industry sector.

Q
What is the geographic split of XP's business?

A
XP operates from 27 locations in Europe, North America and Asia. Revenues in the last full financial year were split North America 47%, Europe 44% and Asia 9%. However, it is worth noting that this reflects the location of our customers rather than their final end-user markets. Our view is that because we are selling into a wide variety of industrial applications, a significant proportion of our products end up in emerging markets.

Q
What is XP's market share?

A
In the last full financial year we estimate our market share of the power converter market was 12% in Europe, 10% in North America and 2% in Asia.

Q
What is the value that XP Power provides to its customers?

A
Our proposition to our customers is to reduce their costs of manufacture and operation. We achieve this by producing new products that consume less power, take up less space, reduce installation times and which are highly reliable in service. These factors add up to enable them to gain a competitive advantage.

"Once designed into a customer programme we enjoy a typical revenue annuity of 5 to 7 years."

Q
What are the growth drivers for XP Power's markets?

A
The increasing importance of energy efficiency for environmental, reliability and economic reasons; the necessity for ever smaller products; the accelerating rate of technological change; and the increasing proliferation of electronic equipment, all set a strong foundation for medium term growth in demand for XP Power's products.

ECM40/60

"The ECM 40/60 facility has continued to enjoy revenue growth since its launch in 2003."

Q
What is XP's growth strategy?

A
XP has a long-established strategy of investing in its own product development and manufacturing capabilities to build a market leading product portfolio. The development of an industry leading in-house manufacturing capability and vertical integration is at the heart of this strategy and is leading to multiple new program wins which are driving our growth in market share.

Q
Why is a manufacturing capability important?

A
Our major OEM customers require that their suppliers have complete control over the production process to guarantee product quality. These customers will only work with "preferred" or "approved" suppliers whose production facilities have met stringent quality control criteria. XP's manufacturing facility has an excellent track record in this respect and the decision in 2006 to move into manufacturing has opened up many new revenue opportunities that were previously unavailable to the Group.

Q
What are the main potential risks to the business?

A
XP has a very well diversified customer base with no single customer accounting for more than 5% of revenues so the risk from the loss of an individual customer is minimal. The principle risks relate to disruption to our supply chain or to a major supplier.

"We have the largest and best trained sales force in the industry."

Q
Who are XP's main competitors?

A
Like our customer base the competitive landscape is also diverse and the key competitors also vary according to the end market sector. XP Power considers its larger competitors to be Cosel, Emerson, Power-One, SL Industries and TDK-Lambda, all of which have a worldwide capability. In addition there are a large number of much smaller suppliers in the industry who generally serve only their local market.

Q
What differentiates XP from its main competitors?

A
We have the largest and best trained direct sales force in the industry. Our larger competitors are generally not as close to the customer as they often sell through distribution and reps. Therefore we are in a much better position to deliver genuine value to our customers. We also have a much larger standard product portfolio than our competitors which gives us an advantage when customers are choosing preferred suppliers as we are more likely to have a standard product that will work in their application. Finally our smaller size and flexibility allows us to provide excellent service. In summary: Knowledge, Speed and Flexibility.

Q
What is XP Power's attitude to the environment?

A
XP Power has set its self the goal of the being the leader in our industry in addressing the effect we have on the environment. We have placed environmental performance at the heart of our operations both in terms of minimising the impact its activities have on the environment and in its product development strategy. These practices and initiatives not only resonate with our customers and employees; they also make significant commercial sense as countries legislate to reduce power wastage, improve recyclability of manufactured goods and ban the use of harmful chemicals.

XP's successful application to become a Full Member of the Electronic Industry Citizenship Coalition reflects the major progress achieved by the Group in enhancing the energy efficiency of its power converters in recent years and its ongoing commitment to improving its environmental performance. The group's new production facility in Vietnam is the most energy efficient power converter factory anywhere in the world.

Q
Does XP Power pay a dividend?

A
Yes, dividends are paid on a quarterly basis, dependent on the performance of the business in the relevant period. We have a progressive dividend policy and the profitability and cash generative nature of our business model means we have increased the dividend every year since 2002.

XP **Chairman's Statement**

Larry Tracey
Executive Chairman,
XP Power

"Our strategy and its execution resulted in earnings per share of 106.4p for 2011, an increase of 27% over 2010. The compound average growth rate of earnings per share has been 27% over the last 5 years and 18% over the last 10 years."

Overview

Consistent application of our well-established strategy of moving "up the food chain" into design and manufacture produced another year of record profits and earnings, against a backdrop of economic conditions which deteriorated markedly in the later part of the year.

Our strategy and its execution resulted in earnings per share of 106.4p for 2011, an increase of 27% over 2010. The compound average growth rate of earnings per share has been 27% over the last 5 years and 18% over the last 10 years.

Financial

Total orders decreased by 5% to £98.3 million (2010: £103.4 million) in the year. Total sales increased by 13% to £103.6 million (2010: £91.8 million). Sales of product based on XP Power's own designed/own manufactured product increased by 34% to £59.2 million (2010: £44.1 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 49.1% (2010: 48.0%). Operating profit increased to £25.3 million (2010: £19.7 million).

Net debt at the year end was £18.6 million compared to £18.4 million at the end of 2010. Operating cash flow was £16.0 million (2010: £10.3 million) representing 63% of operating income.

Strategic Progress

In mid-2009 the Group achieved a key strategic objective when it began production at its full scale manufacturing facility in China. Our second manufacturing facility in Ho Chi Minh City, Vietnam was completed on schedule in December 2011 and will give us the capability to produce our own magnetic components, significantly enhancing the value proposition we offer our customers. Combined, these state-of-the-art factories dramatically enhance the Group's ability to secure preferred supplier status with larger customers and increase the proportion of its revenues which come from its own-designed products beyond the current level of just below 60%.

Dividend

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

In line with our progressive dividend policy, a final dividend of 15.0 pence per share for the fourth quarter of 2011 is proposed. This dividend will be payable to members on the register on 16 March 2012 and will be paid on 4 April 2012.

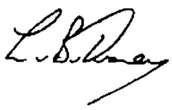
When combined with the interim dividends for the previous quarters, the final proposed dividend results in a total dividend of 45.0 pence per share for the year (2010: 33.0p); an increase of 36%. The compound average growth rate of our dividend has been 20% over the last 5 years and 14% over the last 10 years.

Sustainability

In 2011 we committed further 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 that our operations have on the environment. These efforts will continue throughout 2012 and beyond as we seek to assist in achieving the national targets set by the countries in which we operate. Our new magnetics facility in Vietnam was completed in December 2011 and is the most environmentally friendly manufacturing facility in the industry. A detailed report from our Environmental Committee can be found on pages 10 to 13.

Outlook

Under the leadership of an experienced management team, the new products introduced over the past four years, and manufactured in our new production facilities, are now entering customer production and should ensure that we continue to gain market share. This combination should leave us well placed to further grow earnings and dividends over the next five years.



Larry Tracey
Executive Chairman

Duncan Penny
Chief Executive,
XP Power

"Our product offering, service levels and manufacturing capabilities are increasingly making us the power converter provider of choice for many large customers."

Overview

The strategy that we have been consistently applying over a number of years has produced another set of excellent financial results despite the macroeconomic headwinds we started to experience in the last quarter of the period. 2011 was another record year for XP Power with the previous year's records for own designed revenue, margins, earnings and cash flow beaten yet again. This is the fifth successive year we have increased earnings, underlining what has been achieved as a result of our consistent strategy of moving up the value chain, powered by a strong pipeline of new leading-edge products, 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, many of which are highly efficient, 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.

In 2011 we have achieved a further major milestone with the completion of our new magnetics facility in Vietnam. This new facility is a further step along the road of vertical integration which not only enhances our value proposition to our customers — in terms of control of the manufacturing process, flexibility and lead times — but also provides a second geographical capability to mitigate the effect of increasing costs in China.

A record 57% of our revenues came from our own designed products in 2011 (2010: 48%) and 90% of our total revenues now carry the XP Power brand (2010: 88%). Own designed products generate 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") of capital goods 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 available market for XP Power's products is estimated to be £1.5 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 7% in 2011 compared with around 6.5% in 2010. 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. This illustrates 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 take further share in each of its key markets.

"Our new Vietnam facility is a further step along the road of vertical integration which not only enhances our value proposition to our customers — in terms of control of the manufacturing process, flexibility and lead times — but also mitigates the effect of increasing costs in China."

According to industry sector, 2011 revenues were split: Industrial up 11% to £46.9 million (2010: £42.2 million), Healthcare up 17% to £26.6 million (2010: £22.8 million) and Technology up 12% to £30.1 million (2010: £26.8 million). Healthcare continued to exhibit excellent growth, reflecting our ongoing focus on that sector and development of a very strong healthcare product offering. Despite good growth in all industry sectors year on year the Technology sector experienced a marked softness in the later part of 2011; particularly in North America.

According to geography our 2011 revenues were split: Asia up 64% to £9.2 million (2010: £5.6 million), Europe up 10% to £45.4 million (2010: £41.4 million) and North America up 9% to £49.0 million (2010: £44.8 million). As noted above, during the later part of 2011 we saw a marked softening in North America, particularly in the Technology sector, but despite Eurozone economic concerns, our European business held up well.

Our major blue chip customers continue to demand market leading, highly reliable products. We maintained a consistent investment in research and development throughout 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 strong 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 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 programme 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 its major customers with local face to face support and rapid response times.

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.

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

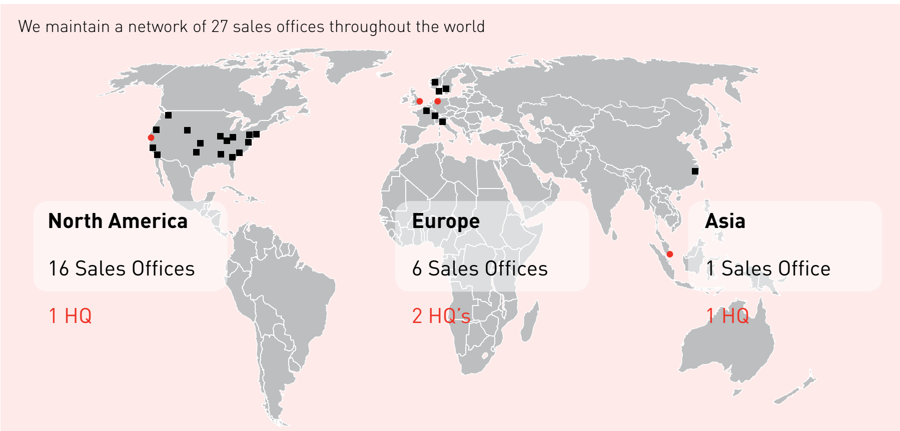
A long term commitment to invest in research and development of new products has been the cornerstone of XP Power's growth strategy.

Research and development gross spend was £5.3 million in 2011 (2010: £4.6 million), and a record thirty eight new product families were introduced in the year, resulting in a number of exciting new customer approvals. Our new range of highly efficient medical external power converters were extremely well received by 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 precise requirements of individual customers.

Manufacturing Capabilities

Our key customers demand the ultimate in terms of quality control to ensure reliability for the life of their equipment. Complete control of manufacturing is therefore critical to ensure strict management of the production processes and components that go into our



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

products, and also gives 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.

"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."

In December 2011 we completed the construction of our new manufacturing facility in Ho Chi Minh City, Vietnam, on schedule. This new facility will primarily be a magnetics facility and is another major milestone for the Company. This vertical integration enhances our value proposition to key customers who increasingly demand rigorous control of the supply chain. As well as better control over the manufacturing process it will allow us to be more flexible and provide shorter lead times. Furthermore, the new facility will also help mitigate the rising wage costs and currency appreciation in China as the production of magnetics is labour intensive.

Historically, prior to the Group establishing its own manufacturing facilities, products designed in our own design centres had previously been built by our contract manufacturing partner. Given our major customers' requirements for complete control over the manufacturing process, combined with the softening in market demand we experienced in the final quarter of 2011, we have taken the decision to transfer manufacture of all remaining products to our facility in Kunshan. The transfer will run throughout 2012 and will necessitate a short term increase in our inventories as a buffer during the transfer process.

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 2011 and our progress is set out in detail in the Environmental Report on pages 10 to 13.

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. In March 2011 we succeeded in achieving Full Membership status of the EICC and have been successfully working with our key suppliers to get them to adopt the same rigorous Code of Conduct.

As a new build project, our new Vietnamese magnetics facility presented 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. The facility was completed in December 2011 and will meet the Gold Plus rating of the BCA Green Mark requirements which are the leading standards set by the Singapore Building and Construction Authority for non-residential buildings in tropical climates. This covers not only the energy efficiency of the building but also water efficiency, environmental protection, indoor environmental quality and other green features and innovations. We are proud that this in not only the most environmentally friendly building in our industry but will be the first BCA Green Mark certified industrial facility in Vietnam.

We have also continued to expand our ISO14001 Environmental Management certifications around the world and all our key sites representing 92% of our revenues are now covered by ISO14001.

The progress XP Power has made on environmental matters was recognised in September 2011 when we were selected for inclusion in the FTSE4Good Index.

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 manage the sales process effectively. Management regards these tools and their method of utilisation as a significant source of competitive advantage over the Group's larger competitors.

Board Changes

We are pleased to welcome Jonathan Rhodes onto the Board following his appointment as Finance Director on 20 December 2011.

Jonathan Rhodes joined the finance team of XP Power in July 2008 as European Controller. Prior to joining the Group, Jonathan spent nine years with JCDecaux in various senior financial position including Head of Financial Reporting and worked in both its UK and North American operations. Prior to that, he spent three years with Mills & Allen.

Jonathan takes over from Mickey Lynch who will stay with the Group in the position of Vice President responsible for tax and treasury. This will ensure continuity during this succession and also provide the Group with an enhanced focus on the tax and treasury areas.

Outlook

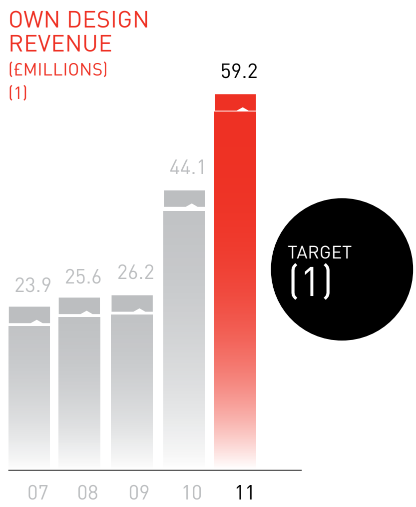
Design wins in 2011 have continued to be positive and we are pleased with the further headway that has been made in achieving approved or preferred supplier status at new key accounts. However, increased macroeconomic uncertainty is presenting a challenging environment in 2012. Bookings in the last quarter of 2011 from existing programs were soft and customers are generally cautious and are delaying orders.

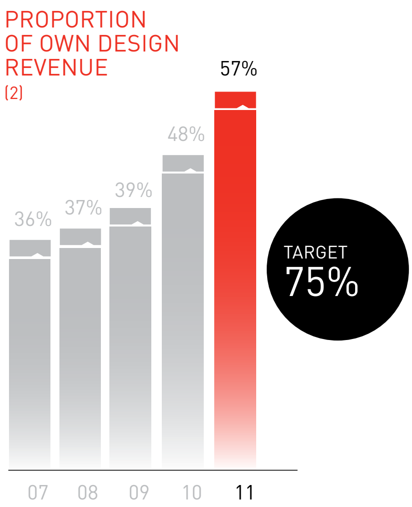
As a supplier to manufacturers of capital goods, we cannot expect to be immune from the effects of lower global end-market growth, nevertheless, XP's successful repositioning as a designer and manufacturer of its own range of market-leading products and the addition of a magnetics capability at its second manufacturing site, leave the Group well positioned to respond to these more difficult markets and to continue to take market share.

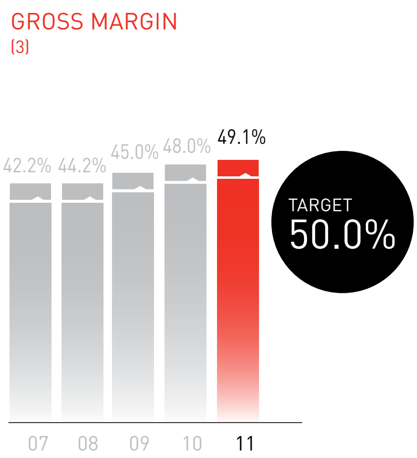
We remain confident about the fundamental medium term growth drivers which underpin the markets in which we operate. With the successful transition of its business model to higher margin, own IP product sales and the continued development of a state-of-the-art independent manufacturing capability and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

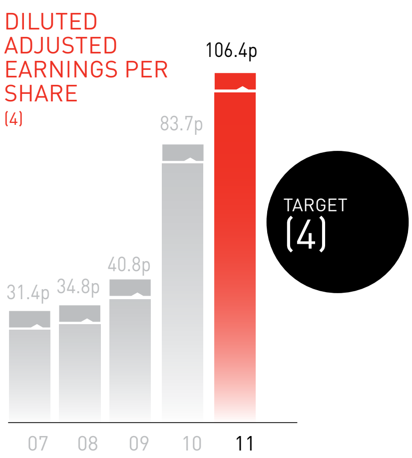
Duncan Penny
Chief Executive

XP Key Performance Indicators









1. Own design revenue = revenue derived from products designed by XP Power or where XP Power owns the design and outsources 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 revenue = revenue from own design 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 five years has been 27%.

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 may 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, Euro 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 components in US Dollars and the Chinese Yuan. 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 Asia, Europe and North America. 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 2011, 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 adverse macroeconomic conditions. 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 information technology 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 26.0% 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 25% and 16.5% 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 judgments about past and future events and relies on estimates and assumptions. Although we believe that the estimates and assumptions supporting our positions are reasonable and are supported by external advice, our ultimate liability in connection with these matters will depend upon the assessments raised and the result of any negotiations with the relevant tax authorities. If the actual taxes and penalties imposed exceed the amounts we have accrued, it could adversely affect our financial position, results and cash flows.

Jonathan Rhodes
Finance Director,
XP Power

"Our operating profit allowed us to generate operating cash flow of £16.0 million during 2011"

Cash Flow

Further strong growth in operating profit enabled the Group to generate operating cash flow of £16.0 million during 2011 (2010: £10.3 million). Inventories grew from £21.0 million in 2010 to £22.0 million in 2011 as our business grew. We have consciously increased our inventories in order achieve shorter lead times for our customers and to insure against critical component shortages. Net debt ended the year at £18.6 million compared to £18.4 million in 2010. We also returned £7.4 million (2010: £4.8 million) to shareholders in the form of dividends.

Income and Expenditure Account

Revenues increased by 13% to £103.6 million from £91.8 million in 2010, with revenues from our own designed product increasing by 34% to £59.2 million from £44.1 million in 2010 driving further increases in our gross margin. During 2011 the average US Dollar to Sterling exchange rate was 1.60 compared to 1.54 in 2010. At constant currency our revenue growth from 2010 to 2011 would have been 17% rather than the 13% we reported. It should be noted that although a weaker US Dollar decreases our reported revenues when reported in Sterling, this has little effect on 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 110 basis points to 49.1% in 2011 from 48.0% in 2010 due to a greater proportion of own designed sales.

Operating expenses were £25.6 million in the year as compared with £24.4 million in 2010. In accordance with the requirements of IAS 38, during 2011 £2.0 million of product development expenditure was capitalised (2010: £1.7 million) and £0.9 million was amortised (2010: £0.8). Gross expenditure on product development was £5.3 million or 9.0% of own design revenue compared to £4.6 million, or 10.4% of own design revenue in 2010. This demonstrates our commitment to continue to expand our product portfolio and over time divert our engineering resource from standard products to modified standards for specific key customers.

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 and flash and other reports and at our monthly business reviews, 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 £6.8 million of forward currency contracts outstanding at 31 December 2011 (2010: £15.7 million).

Financing Costs

In September 2011 the Group renewed its annual working capital facility, which is US Dollar 15 million, priced at BOS base rate plus a fixed margin of 2.5%.

In addition, the Group made a new arrangement with its bankers to increase its term debt facility to US Dollars 27.0 million (£17.2 million) with quarterly repayments remaining at US Dollars 1.5 million (£1.0 million) and a US Dollars 9.0 million (£5.7 million) final repayment due on expiry on the facility in September 2014. The term loan is priced at LIBOR plus a margin of between 1.75% to 2.25% depending on the ratio of Net Debt to EBITDA.

Both the working capital facility and term debt facility are provided by Bank of Scotland PLC.

The Company entered into an interest rate swap in respect of 85% of the value of its previous US$36 million term debt facility which fixed the floating LIBOR rate at 1.99%. The interest rate on prior debt facility was therefore fixed at 3.99%. This interest rate swap expired at the end of September 2011 and has not been replaced.

Dividends

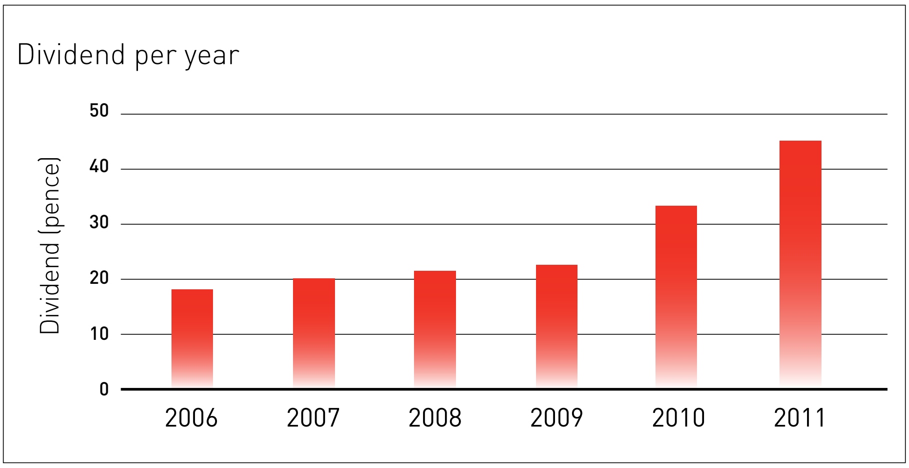
Our dividend policy is to pay dividends to our shareholders when legally and commercially able to do so. This year's financial performance in terms of profitability and operating cash flow has enabled us to increase the 2011 dividend (including final proposed) by 36% to 45p per share.

Substantial Interests

Other than the Directors' interests (see Directors' Remuneration Report), at 31 December 2011 the Company was aware of the following interests in three per cent or more of the issued ordinary share capital of the Company:

	Number of shares	%
Standard Life Investments	1,816,665	9.4%
Aberdeen Asset Managers	829,300	4.3%
Generation Investment Management	808,000	4.2%
Hargreave Hale	620,433	3.2%
Henderson Global Investors	596,274	3.1%

Jonathan Rhodes
Finance Director



"This year's financial performance has enabled us to increase the 2011 dividend by 36% to 45p per share."

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Larry Tracey Executive Chairman (age 64)
Larry co-founded Powerline plc ("Powerline") in 1979, where he focused on the strategic direction of the business. In March 1984, he was responsible for the flotation of Powerline on the Unlisted Securities Market of the London Stock Exchange and earnings grew 220 per cent in its three years as a quoted company. Larry headed Powerline's expansion into Germany and the US. Powerline was acquired by Chloride plc in September 1987.

In May 1990, Larry joined the Board of XP Power 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.

Larry has announced his intention to move to the role of non-executive Chairman following the 2012 Annual General Meeting.

James Peters Deputy Chairman (age 53)
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.

James has announced his intention to move to a non-executive role following the 2012 Annual General Meeting.

Duncan Penny Chief Executive (age 49)
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 Power in April 2000 as Group Finance Director. On 3 February 2003, he was appointed as Chief Executive.

Mike Laver President, World Wide Sales and Marketing (age 49)
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 held various senior roles.

Mike is currently responsible for the worldwide sales and marketing. He joined the Board on 20 August 2002.

Jonathan Rhodes Finance Director (age 40)
Jonathan joined the Group in July 2008 as European Financial Controller.

Prior to joining XP Power, Jonathan spent 9 years with JCDecaux in various senior financial positions including Head of Financial Reporting. During his tenure at JCDecaux he worked in both their UK and North American organisations. Prior to that, he spent 3 years with Mills & Allen.

In December 2011 Jonathan was appointed as Finance Director of XP Power.

Andy Sng General Manager, Asia (age 41)
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 Power, Andy worked in the power converter industry for eight years in various technical and commercial roles with companies such as Silicon Systems (Singapore) and Advanced Micro Devices (Singapore).

Andy's current key responsibility is to drive sales in Asia.

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1. Larry Tracey
2. James Peters
3. Duncan Penny
4. Mike Laver
5. Jonathan Rhodes
6. Andy Sng
7. John Dyson
8. Michael Hafferty
9. David Hempleman-Adams

John Dyson Senior Non-Executive Director (age 63)
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 Power in June 2000. He is the senior non-executive director and chairman of the Audit and Remuneration Committees.

Michael Hafferty Non-Executive Director (age 69)
On 24 April 2007 Michael Hafferty was appointed as a non-executive director of XP Power. 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.

David Hempleman-Adams
Non-Executive Director (age 54)
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.

Length of Service

The length of service of each director as a director of XP Power Limited in Singapore since its admission to the Main List of the London Stock Exchange on 24 April 2007 and their service as a director of the previous UK parent, XP Power plc, during the period it was listed is disclosed below:

Name of director	Length of service with XP Power Limited in Singapore	Length of service with XP Power plc in the UK
Larry Tracey	4 years, 10 months	6 years, 8 months
James Peters	4 years, 10 months	6 years, 8 months
Duncan Penny	4 years, 10 months	6 years, 8 months
Mike Laver	4 years, 10 months	4 years, 8 months
Jonathan Rhodes	2 months	–
Andy Sng	4 years, 10 months	–
John Dyson	4 years, 10 months	6 years, 8 months
Michael Hafferty	4 years, 10 months	–
David Hempleman-Adams	3 years, 8 months	–

Directors

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

Larry Tracey	Andy Sng
James Peters	John Dyson
Duncan Penny	Michael Hafferty
Mike Laver	David Hempleman-Adams
Jonathan Rhodes (appointed 20 December 2011)	

In accordance with the Company's Articles of Association Larry Tracey, Mike Laver, Andy Sng and Jonathan Rhodes retire and, being eligible, offer themselves for re-election at the Annual General Meeting. In addition John Dyson as Senior Non-Executive Director will also offer himself for re-election at the Annual General Meeting.

Mickey Lynch retired from the Board on 20 December 2011.

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	2010 Comparative
First Quarter	7 July 2011	9.0 pence	6.0 pence
Second Quarter	12 October 2011	10.0 pence	7.0 pence
Third Quarter	10 January 2012	11.0 pence	8.0 pence
Fourth Quarter (proposed)	4 April 2012	15.0 pence	12.0 pence
Total		45.0 pence	33.0 pence

We are proposing a final dividend of 15.0 pence per share which would be payable to members on the register on 16 March 2012 and will be paid on 4 April 2012. This would make the total dividend for the year 45.0 pence (2010: 33.0 pence) which is an increase of 36%.

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 2011 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
20 February 2012

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 UK Corporate Governance Code (the "Code") as required under the Listing Rules of the Financial Services Authority of the United Kingdom.

Statement of Compliance with the Code

Throughout the year ended 31 December 2011 the Company has been in full compliance with the provisions of the Code.

For the benefit of shareholders who are not familiar with the Code we have set out the main principles of the Code and how we have addressed them.

LEADERSHIP

A.1 The Role of the Board

Main Principle:

Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.

The directors have considered the composition and structure of the Board and have concluded that it is appropriate for a Company of the size and complexity of XP Power. The involvement of Larry Tracey (Executive Chairman) and James Peters (Deputy Chairman) as founders and substantial shareholders is considered of benefit to shareholders in general.

The following matters are specifically reserved for the Board's decision:

- approval of strategic plans, financial 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
- 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
- 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.

A.2 Division of Responsibilities

Main Principle:

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered power of decision.

The roles of Chairman (Larry Tracey) and Chief Executive (Duncan Penny) are separate and clearly defined. The Chairman is responsible for the running of Board meetings and certain other key executive meetings as well as taking the lead on strategy. The Chief Executive is responsible for the day-to-day running of the Company.

A.3 The Chairman

Main Principle:

The chairman is responsible for the leadership of the board and ensuring its effectiveness on all aspects of its role.

The Chairman sets the calendar and agenda of the Board and facilitates the discussions. The Chairman also initiates and coordinates the processes defined below which evaluate the effectiveness of the Board and of the individual directors.

A.4 Non-executive directors

Main Principle:

As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

Other than their normal attendance and participation in discussions at Board meetings the non-executive directors actively participate in the Company's strategy meetings and are able to question, challenge and coach the managers attending these meetings.

John Dyson is the senior independent non-executive director.

EFFECTIVENESS

B.1 The Composition of the Board

Main Principle:

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

The directors consider that the Board and committees have the appropriate balance of skills, experience, independence and knowledge to discharge their duties effectively.

The Board consider each of the three non-executive directors (John Dyson, Michael Hafferty and David Hempleman-Adams) to be independent. While certain corporate governance organisations have expressed a view that John Dyson should not be considered independent by virtue of his long length of service, the Board's view is that he is independent in character and judgement and that there are no relationships or circumstances which are likely to affect his judgement. In addition, John Dyson's length of service and knowledge of the Company are considered to be of significant benefit.

B.2 Appointments to the Board

Main Principle:

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

Nomination Committee

The Nomination Committee consists of Michael Hafferty, John Dyson and David Hempleman-Adams. It is chaired by Michael Hafferty and reviews and considers the appointment of new directors. All non-executive directors are given the opportunity to interview any proposed candidates. Any appointment of a new director is voted on by the whole Board.

The Nomination Committee met once during the year on 20 December 2011 and all members of the committee were present.

The Terms of Reference of the Nominations Committee are available in the Corporate Governance section of the Company's website www.xppower.com.

B.3 Commitment

Main Principle:

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

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

Date	Attendees
18 February 2011	All
5 April 2011	All except David Hempleman-Adams
26 May 2011	All except David Hempleman-Adams
29 July 2011	All
21 September 2011	All
20 December 2011	All except Larry Tracey

B.4 Development

Main Principle:

All directors should receive induction on joining the board and should regularly update and refresh their knowledge and skills.

Directors receive an induction on joining the Board. Non-executive directors are introduced to senior managers below board level and participate in strategy meetings. They are also able to meet with managers on an informal basis to help them gain a deeper understanding of the business and to contribute ideas.

B.5 Information and Support

Main Principle:

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Board receives detailed management accounts and detailed financial forecasts on a monthly basis to enable it to review trading performance, forecasts and strategy implementation. Board meeting materials are provided in advance of board meetings to allow directors sufficient time to prepare adequately.

B.6 Evaluation

Main Principle:

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

The Board has a process for performance evaluation that has been applied to the Board and its Committees for 2011.

This process was based on completion of a questionnaire by the directors in relation to the Board and each of the Committees of which they were members and to the performance of individual directors. The responses were collated and reviewed by the Executive Chairman and distributed to all Directors for discussion at a Board meeting. In addition, the senior non-executive director conducted individual reviews with each non-executive director concerning the functioning of the Board and the performance of each individual director and reported back to the Executive Chairman.

B.7 Re-election

Main Principle:

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

All directors offer themselves for election every three years. In addition, as senior non-executive director serving for more than nine years, John Dyson is offering himself for re-election on an annual basis.

ACCOUNTABILITY

C.1 Financial and Business Reporting

Main Principle:

The board should present a balanced and understandable assessment of the company's position and prospects.

The Board considers that the both the Interim Report and Annual Report and Accounts, supported by quarterly trading updates which are timetabled at the beginning of each year, comprehensively fulfil this requirement. The Annual Report includes a detailed description of the Group's strategy and business model which has enabled it to generate significant value over a prolonged period of time.

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 the Company will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these accounts.

C.2 Financial and Business Reporting

Main Principle:

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

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. The identified risks and the processes by which these are addressed are documented, reviewed and updated at Board meetings. The risk management process and internal control systems are regularly reviewed by the Board and Audit Committee.

C.3 Audit Committee and Auditors

Main Principle:

The board should establish formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles, and for maintaining an appropriate relationship with the company's auditor.

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 and internal audits. Authority matrices are in place to clearly define who is able to authorise particular transactions, transfer funds, commit company resources and enter into particular agreements.

Audit Committee

The Audit Committee consists of non-executive directors John Dyson (chairman), Michael Hafferty and David Hempleman-Adams. The Board considers that John Dyson's financial background, public company experience and knowledge of the business gained over a number of years make him well equipped to chair the Audit Committee. The Audit Committee met four times during 2011, the attendees were as follows:

Date	Attendees
28 January 2011	All
17 February 2011	All
28 July 2011	All except David Hempleman-Adams
20 December 2011	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. No significant internal control failings or weaknesses were identified in 2011.

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 auditor in that year. Audit related services include formalities relating to borrowing, shareholder and other circulars, regulatory reports, work relating to disposals and acquisitions, tax assurance work and advice on accounting policies;
- the award of tax consulting services to the auditors in excess of £100,000 must first be approved by the Chairman of the Audit Committee;
- the award of other non-audit related services to the auditors in excess of £20,000 must first be approved by the Chairman of the Audit Committee; and
- the auditors will be required to make a formal report to the Audit Committee annually on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

The Terms of Reference of the Audit Committee are available in the Corporate Governance section of the Company's website www.xppower.com.

Audit Committee Performance Evaluation

During the year, the Audit Committee reviewed its performance. The Committee considered it had the skills to perform its responsibilities, particularly through John Dyson's financial and audit experience. Actions for improvement focused on review of the scope of the activity of the Internal Audit Reviews and their findings.

Internal Audit

The finance group conducts regular peer to peer balance sheet reviews, the results of which are reported to the Audit Committee as well as the Finance Director and Chief Executive. In addition the Audit Committee reviews and approves the scope and schedule for these reviews. The Board considers that this process fulfils the internal audit function for a Group of the size and complexity of XP Power.

No significant internal control failings have been identified as a result of internal audits during 2011.

REMUNERATION

D.1 The Level and Components of Remuneration

Main Principle:

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Our approach to remuneration is set out in detail in the Report of the Remuneration Committee on pages 36 to 39.

D.2 Procedure

Main Principle:

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Our policy regarding remuneration is set out in detail in the Report of the Remuneration Committee on pages 36 to 39. No director participates in the deciding of their own remuneration.

The Terms of Reference of the Remuneration Committee are available in the Corporate Governance section of the Company's website www.xppower.com.

RELATIONS WITH SHAREHOLDERS

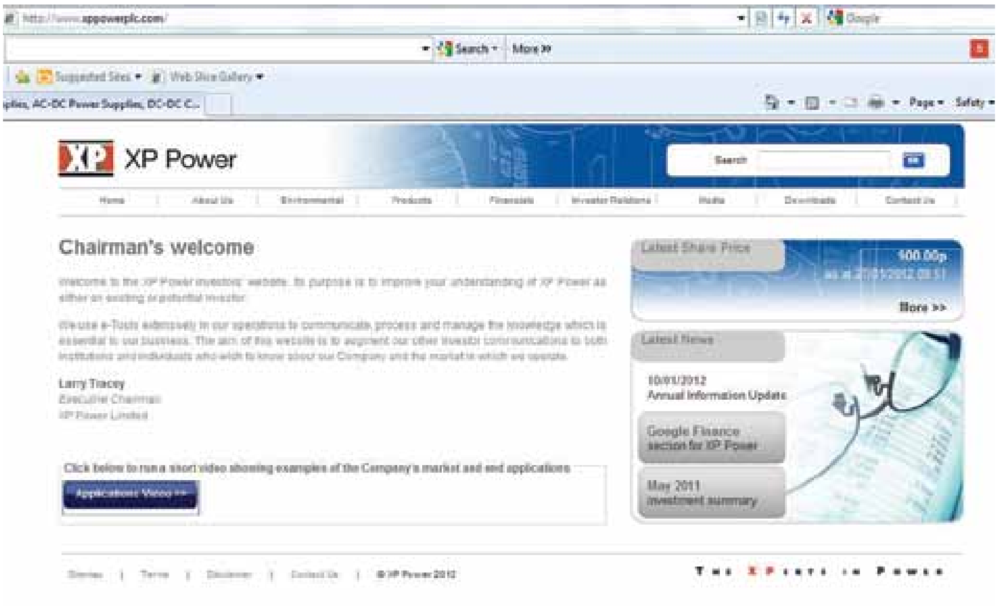
E.1 Dialogue with Shareholders

Main Principle:

There should be a dialogue with shareholder based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

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 in terms of investor presentations and research where it is permitted to be distributed. Interested parties are also 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 Board members receive any feedback prepared by brokers or our financial PR company following meetings with shareholders in order to keep in touch with shareholder opinion.



E.2 Constructive Use of the AGM

Main Principle:

The board should use the AGM to communicate with investors and to encourage their participation.

The Annual General Meeting is used as an opportunity to communicate with shareholders and Directors are available to answer any questions.

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 2011 were John Dyson, Michael Hafferty and David Hempleman-Adams (all Non-Executive Directors). The committee is chaired by David Hempleman-Adams.

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 18 February 2011 and 20 December 2011. All members of the Committee attended those meetings.

Performance Evaluation

During the year, the Committee reviewed its performance and considered it had the skills and experience to perform its responsibilities.

Remuneration Policy for the Executive Directors

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

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

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

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

Basic salary

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

Executive	Base salary from 1 January 2012	Date of last review	Effective date of last increase
Larry Tracey	S$382,500	20 December 2011	1 January 2005
Mike Laver	US$330,000	20 December 2011	1 January 2007
Duncan Penny	£260,000	20 December 2011	1 January 2006
James Peters	S$382,500	20 December 2011	1 January 2005
Jonathan Rhodes	£100,000	20 December 2011	Not applicable
Andy Sng	S$225,000	20 December 2011	1 January 2008

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

Benefits-in-kind

The Executive and Non-Executive Directors receive certain benefits-in-kind, principally life assurance and private medical insurance. In addition Duncan Penny received 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. No bonuses are payable in respect of 2011.

For 2012 bonuses for Duncan Penny, Mike Laver and Jonathan Rhodes are based on a proportion of after tax profits beyond a threshold. Andy Sng's bonus is based on the gross profits of the Asia business. All bonuses are capped at 50% of base salary.

There are no bonus arrangements in 2012 for Larry Tracey and James Peters who will move to non-executive roles after the Annual General Meeting.

Deferred Payment Share Plan

The Group has operated a deferred payment share plan which gave participants the opportunity to purchase shares in the Company at market value with payment deferred until the shares are sold. This arrangement aligns the interest of the participant directly with those of the shareholders with the participant exposed to any increase or decrease in the market value of the shares concerned. Shares purchased under this arrangement cannot be sold for four years from the date of the award. Dividends accruing on the shares are paid to the participants.

Share Option Plans

The Group operated The IFX Power plc Share Option Plan as approved by the shareholders in April 2001. This Plan allowed 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. This Plan expired in 2011 and the Directors intend to put a new plan before shareholders for approval at the upcoming Annual General Meeting. Any options granted under any new plan will contain performance conditions linked to Total Shareholder Return (TSR).

Pension Arrangements

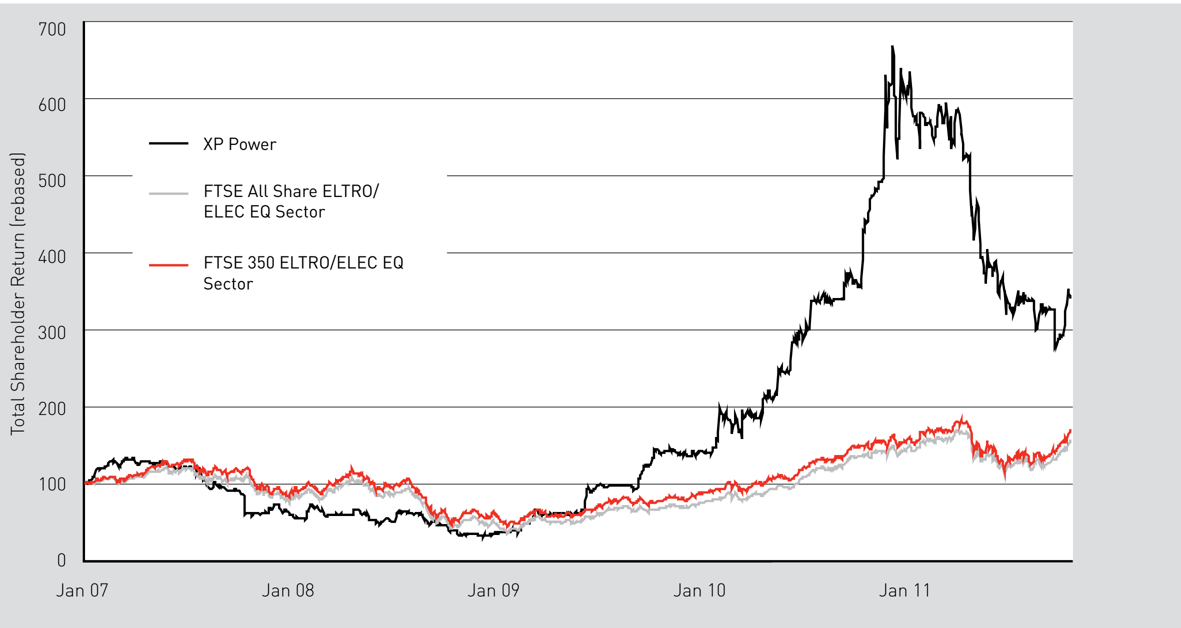
In the UK the Group operates a "Stakeholder Pension Scheme" and contributes 3% of base salary into this scheme on behalf of the participants including Executive Directors.

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.



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 £25,000) except John Dyson whose annual fee was increased to S$100,000 (approximately £50,000) with effect from 1 January 2010.

Aggregate Directors' Remuneration

The total amounts for directors' remuneration were as follows:

£	**2011**	2010
Basic salaries	**984,906**	960,666
Benefits in kind	**152,166**	159,054
Profit share	**—**	253,295
Money purchase pension contributions	**27,991**	29,448
Non-executive director fees	**99,385**	94,950
Total remuneration	**1,264,448**	1,497,413

Directors' Emoluments

Name of Director	**Salary and fees**	**Pension**	**Benefits**	**2011 Total**	2010 Total
£					
Executive					
Larry Tracey	190,074	5,702	7,554	**203,330**	257,748
James Peters	190,074	5,702	1,809	**197,585**	226,116
Duncan Penny	234,797	7,044	85,814	**327,655**	374,769
Mike Laver	143,768	2,875	6,338	**152,981**	202,709
Mickey Lynch (resigned 20 December 2011)	112,135	2,243	7,979	**122,357**	155,763
Jonathan Rhodes (appointed 20 December 2011)	2,250	68	32	**2,350**	—
Andy Sng	111,808	4,357	42,640	**158,805**	180.073
Non-Executive					
John Dyson	49,693	—	—	**49,693**	47,730
Michael Hafferty	24,846	—	—	**24,846**	23,610
David Hempleman-Adams	24,846	—	—	**24,846**	28,895

In the year under review, there were no increases to the base salaries for the executive directors; for all other staff the average increase was approximately 3%.

The profit thresholds in order to trigger bonus payments were not met for 2011, therefore no bonuses are payable to executive directors in respect of 2011.

Directors' Interests in Ordinary Shares of XP Power Limited

	At 31 December 2011	At 1 January 2011
Executive		
Larry Tracey (a)	**1,532,838**	2,678,857
James Peters (b)	**2,171,254**	2,699,779
Mike Laver (c)	**136,494**	194,500
Jonathan Rhodes	**—**	—
Duncan Penny (d)	**326,990**	500,000
Andy Sng	**6,000**	6,000
Non-executive		
John Dyson	**15,000**	15,000
Michael Hafferty	**—**	—
David Hempleman-Adams (e)	**—**	32,825

(a) Larry Tracey sold 1,146,019 shares at a price of £15.25 on 24 June 2011.

(b) James Peters sold 478,025 shares at a price of £15.25 on 24 June 2011. On 1 December 2011, James Peters purchased 7,000 shares at a price of £9.48625.
On 17 February 2011, James Peters, in his capacity as a Trustee of a trust to which his son Christopher Peters, is a beneficiary, transferred 57,500 shares to Christopher Peters for nil consideration.

(c) Mike Laver sold 82,006 shares at a price of £15.25 on 24 June 2011 after exercising 24,000 share options on the same date.
Mike Laver participated in the deferred payment share scheme and as at 31 December 2011, the outstanding balance of the deferred payment share scheme is £220,880. The shares cannot be sold until four years from the date of acquisition.

(d) Duncan Penny sold 198,010 shares at a price of £15.25 on 24 June 2011 after exercising 25,000 share options on the same date.
Duncan Penny participated in the deferred payment share scheme and as at 31 December 2011, the outstanding balance of the deferred payment share scheme is £336,000. The shares cannot be sold until four years from the date of acquisition.

(e) David Hempleman-Adams sold 13,275 shares on 26 August 2011 at a price of £10.40; sold 9,000 shares on 31 August 2011 at a price of £10.85; sold 5,625 shares on 1 September 2011 at a price of £11.35 and sold 3,200 shares on 2 September 2011 at a price of £11.49. In addition, 1,725 shares held by a Pension Fund to which David Hempleman-Adams is a Trustee were sold for £10.3885 on 1 September 2011.

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 2011 Number of shares	As at 1 January 2011 Number of shares
Mike Laver (a)	24 August 2001	£3.425	—	24,000
Duncan Penny (b)	24 August 2001	£3.425	—	25,000
Andy Sng	21 April 2005	£4.11	20,000	20,000
	26 April 2007	£5.072	30,000	30,000

(a) On 24 June 2011 Mike Laver exercised 24,000 options granted at a price of £3.425 per share on 24 August 2001.

(b) On 24 June 2011 Duncan Penny exercised 25,000 options granted at a price of £3.425 per share on 24 August 2001.

The highest and lowest closing mid market prices of the shares of XP Power Limited during 2011 were £19.50 and £8.70 per share respectively. The closing mid-market price on 31 December 2011 was £9.35 per share.

Approval

This report was approved by the Board of Directors on 20 February 2012 and signed on its behalf by:

David Hempleman-Adams
Remuneration Committee Chairman

XP 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 42 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 2011 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
20 February 2012

Duncan Penny
Chief Executive

Report on the Financial Statements

We have audited the accompanying financial statements of XP Power Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 81, which comprise the balance sheets of the Company and of the Group as at 31 December 2011, 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 2011, 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
20 February 2012

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2011

£ Millions	Note	**2011**	2010
Revenue	4	**103.6**	91.8
Cost of sales		**(52.7)**	(47.7)
Gross profit		**50.9**	44.1
Expenses			
Distribution and marketing		**(20.7)**	(20.0)
Administrative		**(0.7)**	(0.7)
Research and development	7	**(4.2)**	(3.7)
Operating profit		**25.3**	19.7
Finance cost	6	**(1.0)**	(1.1)
Profit before income tax		**24.3**	18.6
Income tax expense	8	**(3.6)**	(2.6)
Profit for the year		**20.7**	16.0
Other comprehensive income:			
Cash flow hedges	25	**0.4**	(0.2)
Exchange differences on translation of foreign operations	25	**0.5**	(0.2)
Other comprehensive income for the year, net of tax		**0.9**	(0.4)
Total comprehensive income for the year		**21.6**	15.6
Profit attributable to:			
Owners of the parent	25	**20.3**	15.8
Non-controlling interest	25	**0.4**	0.2
		20.7	16.0
Total comprehensive income attributable to:			
Owners of the parent		**21.2**	15.4
Non-controlling interest		**0.4**	0.2
		21.6	15.6
Earnings per share attributable to owners of the parent (pence per share)			
— Basic	10	**107.1**	83.9
— Diluted	10	**106.4**	83.2

Consolidated Balance Sheet

For the financial year ended 31 December 2011

£ Millions	Note	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	16	**6.3**	5.0
Trade receivables	18	**16.0**	15.6
Other current assets	19	**2.6**	1.5
Inventories	17	**22.0**	21.0
Deferred income tax assets	24	**0.1**	—
Total current assets		**47.0**	43.1
Non-current assets			
Investment in associates	15	**0.1**	0.1
Property, plant and equipment	13	**12.9**	8.3
Goodwill	11	**31.3**	30.8
Intangible assets	12	**6.4**	5.3
ESOP loans to employees	27	**1.6**	2.4
Deferred income tax assets	24	**0.3**	0.8
Total non-current assets		**52.6**	47.7
Total assets		**99.6**	90.8
LIABILITIES			
Current liabilities			
Trade and other payables	20	**11.4**	15.5
Current income tax liabilities	8	**1.3**	3.4
Derivative financial instruments	23	**0.2**	0.4
Borrowings	22	**13.4**	12.7
Provision for deferred contingent consideration	21	**1.9**	—
Total current liabilities		**28.2**	32.0
Non-current liabilities			
Borrowings	22	**11.5**	10.7
Deferred income tax liabilities	24	**2.0**	1.8
Provision for deferred contingent consideration	21	**2.1**	3.5
Total non-current liabilities		**15.6**	16.0
Total liabilities		**43.8**	48.0
NET ASSETS		**55.8**	42.8
EQUITY			
Equity 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)**	(1.0)
Hedging reserve	25	**—**	(0.4)
Translation reserve	25	**(7.1)**	(7.6)
Retained earnings	25	**36.3**	24.2
		55.6	42.6
Non-controlling interests	25	**0.2**	0.2
TOTAL EQUITY		**55.8**	42.8

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2011

		Attributable to equity holders of the company								
£ Millions	Note	Share capital	Treasury shares	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2010		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
Sale of treasury shares	25	—	0.7	—	—	—	(0.8)	(0.1)	—	(0.1)
Purchase of treasury shares	25	—	(0.7)	—	—	—	—	(0.7)	—	(0.7)
Dividends paid	9	—	—	—	—	—	(7.4)	(7.4)	(0.4)	(7.8)
Total comprehensive income for the year	25	—	—	—	0.4	0.5	20.3	21.2	0.4	21.6
Balance at 31 December 2011		27.2	(1.0)	0.2	—	(7.1)	36.3	55.6	0.2	55.8

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

£ Millions	Note	2011	2010
Cash flows from operating activities			
Profit for the year		**20.7**	16.0
Adjustments for			
— Income tax expense	8	**3.6**	2.6
— Amortisation and depreciation	4	**2.2**	1.9
— Finance cost	6	**1.0**	1.1
— Loss on fair valuation of derivative financial instruments		**0.1**	—
Change in the working capital			
— Inventories		**(1.0)**	(10.3)
— Trade and other receivables		**(1.5)**	(4.9)
— Trade and other payables		**(4.1)**	6.2
Income tax paid	8	**(5.0)**	(2.3)
Net cash generated from operating activities		**16.0**	10.3
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**(0.1)**	—
Purchases and construction of property, plant and equipment	13	**(5.7)**	(2.1)
Research and development expenditure capitalised	12	**(2.0)**	(1.7)
ESOP loans repaid		**0.8**	0.2
Net cash used in investing activities		**(7.0)**	(3.6)
Cash flows from financing activities			
Repayment of borrowings		**(4.1)**	(3.2)
Net purchase of treasury shares by ESOP		**(0.8)**	(0.2)
Interest paid		**(0.8)**	(0.9)
Dividend paid to equity holders of the Company	9	**(7.4)**	(4.8)
Dividend paid to non-controlling interests	25	**(0.4)**	(0.3)
Net cash used in financing activities		**(13.5)**	(9.4)
Effects of currency translation		**0.2**	(0.3)
Net increase/(decrease) in cash and cash equivalents		**(4.3)**	(3.0)
Cash and cash equivalents at beginning of financial year		**1.0**	3.9
Effects of currency translation on cash and cash equivalents		**—**	0.1
Cash and cash equivalents at end of financial year	16	**(3.3)**	1.0

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") as adopted by the European Union (IFRSs as adopted by the EU).

The consolidated financial statements have been prepared on the historical cost convention 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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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.

(b) Transactions and balances

Foreign currency transactions 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 other comprehensive income 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.

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. Summary of significant accounting policies (continued)

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 and the fair value of any pre-existing equity interest in the subsidiary. 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.

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.

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.

2. Summary of significant accounting policies (continued)

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.

(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 criteria 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. Summary of significant accounting policies (continued)

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.

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.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and the liability simultaneously.

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. Summary of significant accounting policies (continued)

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 or 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.

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.

2. Summary of significant accounting policies (continued)

2.14 Derivative financial instruments and hedging activities (continued)

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.

2.15 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 first in first out method for our USA office and weighted average method for the rest of the world. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.16 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.

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.

2.17 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. Summary of significant accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Dividend distribution

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

2.23 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.

2.24 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.

2.25 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 £2.0 million (2010: £1.7 million) of development costs were capitalised bringing the total amount of development cost capitalised as intangible assets as of 31 December 2011 to £6.4 million (2010: £5.3 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 2011 was £31.3 million (2010: £30.8 million) with no impairment adjustment required for 2011.

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 2011 balance sheet date the Group has recorded estimated future payments related to the acquisition of the final of 30.3% of Powersolve Electronics Limited which will be split to 14.3% in early 2012 and remaining 16% in early 2017. When discounted to present value the total of these payments are estimated at £4.0 million and that amount is reflected on the balance sheet as of the 2011 year end. Since the final payments will be dependent on the actual future financial performance of the business an estimate is required to approximate future business conditions.

If Powersolve's 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.

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.

4. Segmental reporting (continued)

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.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2011 is as follows:

£ Millions	2011	2010
Revenue		
Europe	**45.4**	41.4
North America	**49.0**	44.8
Asia	**9.2**	5.6
Total Revenue	**103.6**	91.8
Reconciliation of segment results to profit before income tax:		
Europe	**9.8**	7.4
North America	**12.3**	9.6
Asia	**2.5**	1.0
Segment result	**24.6**	18.0
Research and development cost	**(4.2)**	(3.7)
Finance income and cost	**(1.0)**	(1.1)
Corporate recovery from operating segment	**4.9**	5.4
Profit before income tax	**24.3**	18.6
Income tax expense	**(3.6)**	(2.6)
Profit for the year	**20.7**	16.0

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

£ Millions	2011	2010
United States	**48.9**	43.5
United Kingdom	**28.0**	20.5
Singapore	**9.2**	8.8
Germany	**8.8**	7.5
Switzerland	**3.7**	3.3
Other countries	**5.0**	8.2
Total Revenue	**103.6**	91.8

4. Segmental reporting (continued)

£ Millions	Year to 31 December 2011 Europe	North America	Asia	Total	Year to 31 December 2010 Europe	North America	Asia	Total
Other Information								
Capital additions	**0.4**	**0.4**	**4.9**	**5.7**	0.3	0.2	1.6	2.1
Depreciation	**0.4**	**0.2**	**0.7**	**1.3**	0.2	0.2	0.6	1.0
Intangible assets additions	**—**	**1.5**	**0.5**	**2.0**	—	1.4	0.3	1.7
Amortisation	**—**	**0.8**	**0.1**	**0.9**	0.1	0.8	—	0.9
Balance sheet								
Goodwill	**11.2**	**19.4**	**0.7**	**31.3**	10.7	19.4	0.7	30.8
Other non-current assets	**3.5**	**7.0**	**10.5**	**21.0**	4.3	5.6	6.2	16.1
Inventories	**1.5**	**6.8**	**13.7**	**22.0**	1.5	7.0	12.5	21.0
Trade receivables	**7.3**	**6.5**	**2.2**	**16.0**	6.5	7.6	1.5	15.6
Other current assets	**1.2**	**0.6**	**0.8**	**2.6**	0.4	0.3	0.8	1.5
Cash	**4.8**	**0.7**	**0.8**	**6.3**	2.5	1.2	1.3	5.0
Segment assets	**29.5**	**41.0**	**28.7**	**99.2**	25.9	41.1	23.0	90.0
Unallocated deferred income tax				**0.4**				0.8
Consolidated total assets				**99.6**				90.8
Trade and other payables	**(2.1)**	**(1.6)**	**(7.7)**	**(11.4)**	(2.6)	(1.6)	(11.3)	(15.5)
Other current liabilities	**—**	**—**	**(0.2)**	**(0.2)**	—	(0.2)	(0.2)	(0.4)
Deferred contingent consideration	**(4.0)**	**—**	**—**	**(4.0)**	(3.5)	—	—	(3.5)
Segment liabilities	**(6.1)**	**(1.6)**	**(7.9)**	**(15.6)**	(6.1)	(1.8)	(11.5)	(19.4)
Unallocated corporate liabilities				**(24.9)**				(23.4)
Unallocated deferred and current income tax				**(3.3)**				(5.2)
Consolidated total liabilities				**(43.8)**				(48.0)

Analysis by customer

The revenue by class of customer was as follows:

£ Millions	Year to 31 December 2011 Europe	North America	Asia	Total	Year to 31 December 2010 Europe	North America	Asia	Total
Technology	**11.6**	**12.5**	**6.0**	**30.1**	10.7	12.6	3.5	26.8
Industrial	**24.3**	**20.7**	**1.9**	**46.9**	22.1	18.6	1.5	42.2
Healthcare	**9.5**	**15.8**	**1.3**	**26.6**	8.6	13.6	0.6	22.8
Total	**45.4**	**49.0**	**9.2**	**103.6**	41.4	44.8	5.6	91.8

5. Employee compensation (including Directors)

£ Millions	2011	2010
Wages and salaries	**14.7**	14.2
Social security	**2.1**	2.0
Pension	**0.5**	0.4
Total	**17.3**	16.6

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

6. Finance cost

£ Millions	2011	2010
Interest expense on bank loans and overdrafts	0.6	0.6
Interest expense on interest rate swap agreement	0.2	0.3
Unwinding of discount on deferred consideration (Note 21)	0.2	0.2
Total	1.0	1.1

7. Expenses by nature

£ Millions	2011	2010
Profit for the year is after charging:		
Amortisation of intangibles	**0.9**	0.9
Depreciation of property, plant and equipment	**1.3**	1.0
Employee compensation	**17.3**	16.6
Foreign exchange losses	**0.1**	0.2
Loss on foreign exchange forward	**0.1**	—
Cost of inventories recognised as an expense*	**52.7**	47.7
Charge for doubtful debts	**—**	0.1
Fees paid to auditors:		
Audit	**0.3**	0.3
Other services — tax	**0.1**	0.1
Rent/lease expense	**1.3**	1.2
Finance income and cost	**1.0**	1.1
Other charges	**4.2**	4.0
Total	**79.3**	73.2

* This includes write-downs of inventories of £0.8 million (2010: £0.7 million).

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

£ Millions	2011	2010
Gross research and development expenditure	**5.3**	4.6
Development expenditure capitalised	**(2.0)**	(1.7)
Amortisation of development expenditure capitalised	**0.9**	0.8
Net research and development expenditure	**4.2**	3.7

8. Income taxes

£ Millions	2011	2010
Singapore corporation tax		
— current year	**1.3**	1.0
— adjustment in respect of prior year	**0.1**	(0.1)
Overseas corporation tax		
— current year	**2.9**	2.4
— adjustment in respect of prior year	**(1.3)**	(0.2)
Current income tax	**3.0**	3.1
Deferred income tax		
— current year	**1.3**	(0.3)
— adjustment in respect of prior year	**(0.7)**	(0.2)
Income tax expense	**3.6**	2.6

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

8. Income taxes (continued)

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	**2011**	2010
Profit before income tax	**24.3**	18.6
Tax on profit at standard Singapore tax rate of 17%	**4.1**	3.2
Tax incentives	**(0.7)**	(0.6)
Higher rates of overseas corporation tax	**2.4**	1.6
Deduction for gains on employee share options	**(0.3)**	(1.1)
Adjustment in respect of prior year	**(1.9)**	(0.5)
Income tax expense	**3.6**	2.6

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		**2011**	2010
At 1 January 2011		**(3.4)**	(2.5)
Currency translation differences		**0.1**	(0.1)
Income tax paid		**5.0**	2.3
Income tax payable	— current year	**(4.2)**	(3.4)
	— prior year	**1.2**	0.3
At 31 December 2011		**(1.3)**	(3.4)

9. Dividends

Amounts recognised as distributions to equity holders in the period:

	2011		2010	
	Pence per share	**£ Millions**	Pence per share	£ Millions
Prior year third quarter dividend paid	**8.0***	**1.5**	—	—
Prior year final dividend paid	**12.0***	**2.3**	12.0	2.3
First quarter dividend paid	**9.0^**	**1.7**	6.0*	1.2
Second quarter dividend paid	**10.0^**	**1.9**	7.0*	1.3
Total	**39.0**	**7.4**	25.0	4.8

* Dividends in respect of 2010 (33.0p).
^ Dividends in respect of 2011 (45.0p).

The third quarter dividend of 11.0 pence per share was paid on 10 January 2012. The proposed final dividend of 15.0 pence per share for 31 December 2011 is subject to approval by shareholders at the Annual General Meeting scheduled for 2 April 2012 and has not been included as a liability in these financial statements. It is proposed that the final dividend be paid on 4 April 2012 to members on the register as at 16 March 2012.

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:

	2011 £ Millions	2010 £ Millions
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity shareholders of the parent)	**20.3**	15.8
Amortisation of intangibles associated with acquisitions	**—**	0.1
Earnings for adjusted earnings per share	**20.3**	15.9
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**18,946**	18,830
Effect of potentially dilutive share options (thousands)	**138**	170
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,084**	19,000
Earnings per share from operations		
Basic	**107.1p**	83.9p
Diluted	**106.4p**	83.2p
Diluted adjusted	**106.4p**	83.7p

The non-controlling shareholders are entitled to their share of any dividend declared. The dividend payable to non-controlling shareholders in 2011 was £0.2 million (2010: £0.2 million).

11. Goodwill

£ Millions	2011	2010
Cost		
At 1 January	**30.8**	31.0
Provision for deferred contingent consideration (Note 21)	**0.3**	(0.3)
Recognised on acquisition of subsidiaries	**0.1**	—
Foreign currency translation	**0.1**	0.1
At 31 December	**31.3**	30.8
Accumulated impairment loss		
At 31 December	**—**	—
Carrying Amount		
At 31 December	**31.3**	30.8

Goodwill arises on the consolidation of subsidiary undertakings.

A change in deferred contingent consideration of £0.3 million in 2011 was due to an increase in the forecasted earning related to the Powersolve acquisition. The final amount due in 2012 and 2017 is related to the prior three year's earnings the estimates for which, based on 2011 performance were revised upward.

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 8.8% was used for 2011 and for 2010, the rate was 8.1%).

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 2011 was £31.3 million (2010: £30.8 million) with no impairment adjustment required for 2011.

For the purpose of the impairment test, the Group has adopted what it believes to be reasonable EBITDA assumptions for the period from 1 January 2012 to 31 December 2016. The management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

12. Intangible assets

£ Millions	Development costs	Trade marks	Total
Cost			
At 1 January 2010	5.4	1.0	6.4
Additions	1.7	—	1.7
At 1 January 2011	**7.1**	**1.0**	**8.1**
Additions	2.0	—	2.0
At 31 December 2011	**9.1**	**1.0**	**10.1**
Amortisation			
At 1 January 2010	1.0	0.9	1.9
Charge for the year	0.8	0.1	0.9
At 1 January 2011	**1.8**	**1.0**	**2.8**
Charge for the year	0.9	—	0.9
At 31 December 2011	**2.7**	**1.0**	**3.7**
Carrying Amount			
At 31 December 2011	**6.4**	**—**	**6.4**
At 31 December 2010	5.3	—	5.3

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 £Nil (2010: £0.1 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 improve-ments	Projects under develop-ment	Total
Cost								
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 1 January 2011	**0.2**	**3.6**	**1.5**	**8.5**	**0.4**	**1.3**	**0.1**	**15.6**
Additions	—	—	—	0.9	0.2	0.3	4.3	5.7
Disposals	—	—	—	(0.2)	(0.1)	—	—	(0.3)
Transfer	—	(0.1)	—	0.5	—	—	(0.4)	—
Foreign currency translation	—	0.1	—	—	—	—	—	0.1
At 31 December 2011	**0.2**	**3.6**	**1.5**	**9.7**	**0.5**	**1.6**	**4.0**	**21.1**
Depreciation								
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 1 January 2011	**—**	**0.2**	**—**	**5.9**	**0.2**	**1.0**	**—**	**7.3**
Charge for the year	—	0.1	0.1	0.8	0.1	0.2	—	1.3
Disposals	—	—	—	(0.2)	(0.1)	—	—	(0.3)
Foreign currency translation	—	—	—	(0.1)	—	—	—	(0.1)
At 31 December 2011	**—**	**0.3**	**0.1**	**6.4**	**0.2**	**1.2**	**—**	**8.2**
Carrying Amount								
At 31 December 2011	**0.2**	**3.3**	**1.4**	**3.3**	**0.3**	**0.4**	**4.0**	**12.9**
At 31 December 2010	0.2	3.4	1.5	2.6	0.2	0.3	0.1	8.3

13. Property, plant and equipment (continued)

The Group has entered into agreements to lease land and buildings ranging from 48 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 2011, all of which are consolidated are as follows:

Name of Subsidiary	Place of Incorporation/ ownership (or registration) and operation	Proportion of Ownership 2011 (%)	Proportion of Ownership 2010 (%)	Auditor of subsidiaries
XP Power AG	Switzerland	**100**	99	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	**100**	80	Exempted to be audited by local statutory law
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**	100	DFK Vietnam Auditing Company
XP Power Singapore Manufacturing Pte Ltd	Singapore	**100**	—	PricewaterhouseCoopers LLP

* Proportion of voting power held is 70%.

15. Investment in associate

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

£ Millions	2011	2010
Beginning of financial year	**0.1**	0.1
End of financial year	**0.1**	0.1

Aggregate amounts relating to associate:

£ Millions	2011	2010
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	2011	2010
Cash at bank and on hand	6.3	5.0
Total	**6.3**	5.0

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

£ Millions	2011	2010
Cash at bank and on hand (as above)	6.3	5.0
Less: Bank overdrafts (Note 22)	(9.6)	(4.0)
Cash and cash equivalents per consolidated cash flow statement	**(3.3)**	1.0

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	2011	2010
Net cash inflow from operating activities	16.0	10.3
Research and development expenditure	(2.0)	(1.7)
Net interest expense	(0.8)	(0.9)
Free cash flow	**13.2**	7.7

17. Inventories

£ Millions	2011	2010
Goods for resale	14.8	14.5
Raw materials	6.9	6.0
Work-in-progress	0.3	0.5
Total	**22.0**	21.0

The cost of inventories recognised as an expense and included in "cost of sales" amounts to £52.7 million (2010: £47.7 million).

18. Trade receivables

£ Millions	2011	2010
Trade receivables	16.0	15.6
Total	**16.0**	15.6

The average credit period given on sales of goods is 56 days (2010: 62 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	2011	2010
Other receivables and prepayments	1.7	1.5
Loan to related parties	0.9	—
Total	**2.6**	1.5

The loan to related parties are repayable on demand at interest rate of 6%.

20. Trade and other payables

£ Millions	2011	2010
Trade and other payables	11.4	15.5
Total	**11.4**	15.5

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	2011	2010
At 1 January	3.5	3.6
Movement in provision during the year	0.3	(0.3)
Adjustment for unwinding of discount rate	0.2	0.2
At 31 December	**4.0**	3.5
Current portion of provision for deferred contingent consideration	1.9	—
Non-current portion of provision for deferred contingent consideration	2.1	3.5
Total	**4.0**	3.5

The Group owns 69.7% of the shares of Powersolve Electronics Limited ("Powersolve") and had entered into an agreement to purchase the remaining 30.3% of the shares in January 2012. On 19 December 2011, the Group entered into a new arrangement under which the purchase of the remaining 30.3% of the shares will now take place in two tranches — 14.3% in early 2012 and the remaining 16% in 2017.

The commitment to purchase the remaining ownership has been accounted for as deferred consideration and is calculated based on the expected future payment which will be based on a predefined multiple of the earnings of 2009, 2010 and 2011.

The future payment is discounted to the present value, with the discount amortised to interest expense each period as the payment draws nearer. At each reporting period, the anticipated future payment is recalculated and an adjustment made accordingly, 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	2011	2010
On demand or within one year	13.4	12.7
In the second year	3.8	3.9
In the third year	7.7	3.9
In the fourth year	—	2.9
	24.9	23.4
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(13.4)	(12.7)
Total repayable after 12 months	**11.5**	10.7

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

December 2011	GBP	USD	TOTAL
£ Millions			
Bank overdrafts	0.8	8.8	9.6
Bank loans	—	15.3	15.3
Total	**0.8**	**24.1**	**24.9**

22. Borrowings (continued)

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

The average interest rates paid were as follows:	2011	2010
Bank overdrafts	**3.0%**	3.0%
Bank loans	**3.6%**	4.0%

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 2011, the Group had an overdraft of £9.6 million (2010: £4.0 million). In September 2011, the Group renewed its annual working capital facility, which is US$15.0 million (£9.6 million), priced at BOS base rate plus a fixed margin of 2.5%.

2. In September 2011, the Group made a new arrangement with Bank of Scotland Plc to increase its term debt facility to US$27.0 million (£17.2 million) with quarterly repayments remaining at US$1.5 million (£1.0 million) and a US$9.0 million (£5.7 million) final repayment due on expiry on the facility in 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 complied with as of 31 December 2011.

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 2011, the total notional amount of outstanding currency forward contracts that the Group has committed is £1.7 million (2010: £10.1 million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

December 2011	Contract notional amount	Fair value (liability)
£ Millions		
Forward foreign exchange contracts	**1.7**	**—***
Current portion	**1.7**	**—***
Non-current portion	**—**	**—**
Total	**1.7**	**—**

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)

* These are balances less than £0.1 million.

23. Derivative financial instruments (continued)

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/(liability) of the forward contracts is as follows:

December 2011 £ Millions	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts	**5.1**	**(0.2)**
Current portion	**5.1**	**(0.2)**
Non-current portion	**—**	**—**
Total	**5.1**	**(0.2)**

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

* These are balances less than £0.1 million.

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. This agreement ended in September 2011.

£ Millions	2011	2010
Interest rate swap contract	**—**	16.6
Fair value liability of the contract	**—**	(0.2)

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 temporary differences	Total
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
At 1 January 2011	0.3	(0.6)	0.8	(1.4)	(0.1)	(1.0)
Charge to income	(0.6)	—	(0.5)	(0.2)	0.7	(0.6)
Total	**(0.3)**	**(0.6)**	**0.3**	**(1.6)**	**0.6**	**(1.6)**

24. Deferred income taxes (continued)

£ Millions	2011	2010
Deferred tax assets		
— To be recovered after more than 12 months	**0.3**	0.8
— To be recovered within 12 months	**0.1**	—
	0.4	0.8
Deferred tax liabilities		
— To be recovered after more than 12 months	**(2.0)**	(1.8)
— To be recovered within 12 months	**—**	—
	(2.0)	(1.8)
Deferred tax liabilities (Net)	**(1.6)**	(1.0)

The Group has an unrecognised deferred tax asset of £Nil (2010: £1.6 million). The eventual recognition of this asset is dependent of the assessment of the relevant subsidiaries' tax positions by the relevant tax authorities. The tax asset will be brought to account on final acceptance of tax returns filed in the relevant jurisdiction.

25. Share capital and reserves

Called up share capital

£ Millions	2011	2010
Allotted and fully paid 19,242,296 ordinary shares (2010: 19,242,296)	**27.2**	27.2

Merger reserve

£ Millions	2011	2010
Balance at 31 December	**0.2**	0.2

Treasury shares

£ Millions	2011	2010
Balance at 1 January	**(1.0)**	(0.9)
Sale of shares	**0.7**	0.6
Purchase of shares	**(0.7)**	(0.7)
Balance at 31 December	**(1.0)**	(1.0)

As at 31 December 2011, the Group's Employee Share Ownership Plan (ESOP) held 261,634 (2010: 353,955) shares carrying a value of £925,789 (2010: £967,745) owned by the Trust.

Hedging reserve

£ Millions	2011	2010
Balance at 1 January	**(0.4)**	(0.2)
Fair value gains/(losses)	**0.4**	(0.2)
Balance at 31 December	**—**	(0.4)

25. Share capital and reserves (continued)

Translation reserve

£ Millions	**2011**	2010
Balance at 1 January	**(7.6)**	(7.4)
Exchange differences on translation of foreign operations	**0.5**	(0.2)
Balance at 31 December	**(7.1)**	(7.6)

Retained earnings

£ Millions	**2011**	2010
Balance at 1 January	**24.2**	13.3
Profit for the year	**20.3**	15.8
Loss on treasury shares	**(0.8)**	(0.1)
Dividends paid	**(7.4)**	(4.8)
Balance at 31 December	**36.3**	24.2

Non-controlling interests

The non-controlling shareholders are entitled to their share of any dividend declared. Interim dividend of £0.4 million was paid to Powersolve non-controlling shareholders and another £0.2 million final dividend is expected. The balance payable for 2011 was £0.2 million (2010: £0.2 million).

26. Operating leases and other commitments

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

£ Millions	**2011**	2010
Within one year	**1.1**	1.1
In the second to fifth years inclusive	**2.6**	1.4
After five years	**1.0**	0.4
Total	**4.7**	2.9

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

27. ESOP loan to employees

£ Millions	**2011**	2010
ESOP loan to employees	**1.6**	2.4
Total	**1.6**	2.4

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 the 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 (2010: £0.2 million) represents contributions payable to these schemes by the Group. As at 31 December 2011, 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 (2010: £0.1 million) represents the Group's "matching" contribution which will be paid in 2012.

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 £0.2 million (2010: £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 2011 and 2010.

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

	2011 £	2010 £
Sales and marketing	**—**	20,000
Others	**—**	10,500
Loan to related parties (Note 19)	**900,000**	—

As at 31 December 2011, the Company's Employee Share Ownership Plan has provided interest rate free loans totalling £556,880 (2010: £997,375) to 2 Directors (2010: 3 Directors) for the deferred payment share scheme. The detailed information is provided for in the Directors' Remuneration Report on page 36.

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 36 to 39.

	2011 £	2010 £
Short-term employee benefits	**1,236,457**	1,467,965
Post employment benefits	**27,991**	29,448
Total directors' remuneration	**1,264,448**	1,497,413

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
10,000	£2.925	1 May 2002*	1 May 2012
22,200	£1.75	24 August 2002*	24 August 2012
10,000	£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
31,000	£3.90	28 September 2006*	28 September 2016
103,500	£5.073	26 April 2007*	26 April 2017
199,200			

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

	2011		2010	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of the year	**365,325**	**369**	572,700	324
Forfeited during the year	**(1,250)**	**507**	(12,500)	276
Exercised during the year	**(164,875)**	**310**	(194,875)	243
Outstanding at the end of the year	**199,200**	**417**	365,325	369
Exercisable at the end of the year	**199,200**	**417**	332,981	356

The weighted average share price at the date of exercise for the share options exercised during the period was 1598p. The options outstanding at 31 December 2011 had a weighted average exercise price of 417p, 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.

31. Financial risk management (continued)

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 2011					
Financial assets					
Cash and cash equivalents	**0.6**	**0.9**	**4.3**	**0.5**	**6.3**
Trade receivables	**2.7**	**1.5**	**11.6**	**0.2**	**16.0**
Other financial assets	**3.0**	**(0.1)**	**1.0**	**0.3**	**4.2**
Sub-total	**6.3**	**2.3**	**16.9**	**1.0**	**26.5**
Financial liabilities					
Borrowings	**(0.8)**	**—**	**(24.1)**	**—**	**(24.9)**
Trade and other payables	**(1.6)**	**(0.6)**	**(8.3)**	**(0.9)**	**(11.4)**
Other financial liabilities	**(4.0)**	**—**	**—**	**—**	**(4.0)**
Sub-total	**(6.4)**	**(0.6)**	**(32.4)**	**(0.9)**	**(40.3)**
Net financial assets/(liabilities)	**(0.1)**	**1.7**	**(15.5)**	**0.1**	**(13.8)**
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	**0.4**	**1.7**	**(21.5)**	**0.2**	**(19.2)**
Currency exposure	**(0.5)**	**—**	**6.0**	**(0.1)**	**5.4**

£ 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

If the US Dollar and Euro change against Sterling by 10% (2010: 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	**2011 Profit after tax**	2010 Profit after tax
Group		
EUR against GBP		
— strengthened	**—**	—
— weakened	**—**	—
USD against GBP		
— strengthened	**0.6**	0.3
— weakened	**(0.6)**	(0.3)

31. Financial risk management (continued)

c) Interest rate 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. This agreement ended in September 2011.

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% (2010: 0.5%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by £117,000 (2010: £20,000) 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.

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

£ Millions	2011	2010
By geographical areas		
Europe	**7.3**	6.5
US	**6.5**	7.6
Asia	**2.2**	1.5
	16.0	15.6

£ Millions	2011	2010
By type of customers		
Non-related parties	**16.0**	15.6
	16.0	15.6

The age analysis of trade receivables past due and/or impaired is as follows:

£ Millions	2011	2010
Past due 0–2 months	**4.3**	5.2
Past due 3–4 months	**0.3**	0.3
Past due over 4 months	**—**	0.2
	4.6	5.7

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

£ Millions	2011	2010
Gross amount	**0.3**	0.4
Less: Allowance for impairment	**(0.2)**	(0.3)
	0.1	0.1
Beginning of financial year	**(0.3)**	(0.3)
Allowance utilised	**0.1**	—
End of the financial year	**(0.2)**	(0.3)

31. Financial risk management (continued)

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	Over 5 Years	Total
Group					
At 31 December 2011					
Trade and other payables	**11.4**	**—**	**—**	**—**	**11.4**
Derivative financial instruments	**0.2**	**—**	**—**	**—**	**0.2**
Other financial liabilities	**1.9**	**—**	**—**	**2.1**	**4.0**
Borrowings	**13.4**	**3.8**	**7.7**	**—**	**24.9**
Total	**26.9**	**3.8**	**7.7**	**2.1**	**40.5**

£ Millions	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(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 2011.

2011	Level 1	Level 2	Level 3	Total
£ Millions				
Assets				
Derivatives used for hedging	—	—	—	—
Liabilities				
Derivatives used for hedging	—	(0.2)	—	(0.2)

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

* These are balances less than £0.1 million.

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 20 February 2012.

Company Balance Sheet

For the financial year ended 31 December 2011

£'000	Note	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	4	**588**	545
Trade and other receivables	5	**19,522**	15,445
Other current assets	6	**422**	594
Inventories	8	**6,183**	5,507
Total current assets		**26,715**	22,091
Non-current assets			
Investments in subsidiaries	3	**29,786**	29,786
Property, plant and equipment	9	**1,942**	2,080
Intangible assets	10	**1,233**	742
Total non-current assets		**32,961**	32,608
Total assets		**59,676**	54,699
LIABILITIES			
Current liabilities			
Trade and other payables	12	**6,785**	12,274
Current income tax liabilities	13	**1,325**	948
Derivative financial instruments	7	**157**	143
Bank overdraft	14	**9,209**	3,973
Total current liabilities		**17,476**	17,338
Non-current liabilities			
Derivative financial instruments	7	**—**	95
Deferred income tax liabilities	11	**152**	87
Total non-current liabilities		**152**	182
Total liabilities		**17,628**	17,520
NET ASSETS		**42,048**	37,179
EQUITY			
Share capital	15	**29,786**	29,786
Hedging reserve	15	**(49)**	(246)
Translation reserve	15	**485**	447
Retained earnings	15	**11,826**	7,192
TOTAL EQUITY		**42,048**	37,179

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	2011	2010
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 % 2011	Proportion of Ownership % 2010	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	2011	2010
Cash at bank	**588**	545
Total	**588**	545

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 2011								
Cash at bank	**1**	**298**	**246**	**14**	**—**	**29**	**—**	**588**

	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

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

5. Trade and other receivables

£'000	2011	2010
Trade receivables	**2,210**	1,446
Amount receivable from Group companies	**17,312**	13,999
Total	**19,522**	15,445

The average credit period taken on sales of goods is 36 days (2010: 39 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	2011	2010
Deposit	**211**	79
Other receivables and prepayments	**211**	515
Total	**422**	594

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 £1.7 million (2010: £10.1 million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

As at 31 December 2011, the fair value liability of the currency forward contracts recognised under a hedging reserve is £49,000 (2010: £246,000) (Note 15).

December 2011	Contract notional amount	Fair value (liability)
£'000		
Current portion	**1,749**	**(49)**
Non-current portion	**—**	**—**
Total	**1,749**	**(49)**

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

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/(liability) of the forward contracts is as follows:

£'000	2011	2010
Contract notional amount	**5,116**	5,559
Fair value asset/(liability) of the contracts	**(108)**	8

8. Inventories

£'000	2011	2010
Goods for resale	**6,183**	5,507

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 2010	183	1,436	704	10	273	2,606
Additions	—	27	66	—	30	123
Disposals	—	—	—	—	—	—
Foreign currency translation	7	54	26	—	11	98
At 1 January 2011	**190**	**1,517**	**796**	**10**	**314**	**2,827**
Additions	—	2	120	—	3	125
Disposals	—	—	—	—	(15)	(15)
Foreign currency translation	(3)	(26)	(14)	—	(5)	(48)
At 31 December 2011	**187**	**1,493**	**902**	**10**	**297**	**2,889**
Depreciation						
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 1 January 2011	**—**	**97**	**417**	**7**	**226**	**747**
Charge for the year	—	45	118	3	62	228
Disposals	—	—	—	—	(15)	(15)
Foreign currency translation	—	(2)	(7)	—	(4)	(13)
At 31 December 2011	**—**	**140**	**528**	**10**	**269**	**947**
Carrying Amount						
At 31 December 2011	**187**	**1,353**	**374**	**—**	**28**	**1,942**
At 31 December 2010	190	1,420	379	3	88	2,080

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

10. Intangible assets

£'000	2011	2010
Cost		
Balance at 1 January	**762**	402
Additions	**534**	360
Balance at 31 December	**1,296**	762
Amortisation		
Balance at 1 January	**20**	—
Additions	**43**	20
Balance at 31 December	**63**	20
Carrying amount		
Balance at 31 December	**1,233**	742

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. Deferred income taxes

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the current and prior reporting period.

£'000	Accelerated tax depreciation	Capitalised development costs	Other temporary differences	Total
At 1 January 2010	(44)	(41)	1	(84)
Charge to income	(4)	—	1	(3)
At 1 January 2011	(48)	(41)	2	(87)
Charge to income	(1)	(55)	(9)	(65)
Total	**(49)**	**(96)**	**(7)**	**(152)**

£'000	2011	2010
Deferred tax liabilities — to be recovered after more than 12 months	**(152)**	(87)
Total	**(152)**	(87)

12. Current liabilities

£'000	2011	2010
Trade payables and other creditors	**4,755**	6,615
Amount payable to Group companies	**2,030**	5,659
Total	**6,785**	12,274

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. Current income tax liabilities

£'000	2011	2010
At 1 January 2011	**948**	474
Currency translation differences	**(39)**	50
Income tax paid	**(915)**	(421)
Current year tax expense	**1,331**	845
At 31 December 2011	**1,325**	948

14. Bank overdraft

£ '000	2011	2010
Bank overdraft	**9,209**	3,973
Total	**9,209**	3,973

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

	GBP £'000	USD £'000	TOTAL £'000
At 31 December 2011			
Bank overdraft	**466**	**8,743**	**9,209**
At 31 December 2010			
Bank overdraft	63	3,910	3,973

15. Share capital and reserves

Share capital

£'000	**2011**	2010
Allotted and fully paid 19,242,296 ordinary shares	**29,786**	29,786

Retained earnings

£'000	**2011**	2010
Balance at 1 January	**7,192**	2,643
Dividends paid	**(7,391)**	(4,708)
Profit for the year	**12,025**	9,257
Balance at 31 December	**11,826**	7,192

Translation reserve

£'000	**2011**	2010
Balance at 1 January	**447**	349
Exchange differences on translation	**38**	98
Balance at 31 December	**485**	447

Hedging reserve

£'000	**2011**	2010
Balance at 1 January	**(246)**	41
Fair value gains/(losses)	**197**	(287)
Balance at 31 December	**(49)**	(246)

16. 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, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 15.

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 operations and balance sheet are converted from its 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 Dollars. 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.

16. Financial risk management (continued)

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

At 31 December 2011 £'000	GBP	EUR	USD	Others	Total
Financial Assets					
Cash and cash equivalents	1	246	298	43	588
Trade and other receivables	46	1,696	17,659	121	19,522
Other financial assets	213	(110)	220	99	422
Subtotal	260	1,832	18,177	263	20,532
Financial Liabilities					
Borrowings	(466)	—	(8,743)	—	(9,209)
Trade and other payables	(1,349)	(163)	(4,548)	(725)	(6,785)
Subtotal	(1,815)	(163)	(13,291)	(725)	(15,994)
Net financial (liabilities)/assets	(1,555)	1,669	4,886	(462)	4,538
Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies	—	—	4,886	—	4,886
Currency exposure	(1,555)	1,669	—	(462)	(348)

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)
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)

c) Interest rate 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.

16. **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 2011					
Trade and other payables	**6,785**	**—**	**—**	**—**	**6,785**
Borrowings	**9,209**	**—**	**—**	**—**	**9,209**
Total	**15,994**	**—**	**—**	**—**	**15,994**

£'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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(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 liabilities measured at fair value at 31 December 2011.

2011	Level 1	Level 2	Level 3	Total
£'000				
Liabilities				
Derivatives used for hedging	**—**	**(157)**	**—**	**(157)**

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

Five Year Review

	2011 £ Millions	2010 £ Millions	2009 £ Millions	2008 £ Millions	2007 £ Millions
Results					
Revenue	**103.6**	91.8	67.3	69.3	66.3
Profit from operations	**25.3**	19.7	9.6	9.3	6.7
Profit before tax	**24.3**	18.6	8.4	10.2	5.0
Assets employed					
Non-current assets	**52.6**	47.7	45.6	43.3	39.7
Current assets	**47.0**	43.1	26.9	35.6	27.3
Current liabilities	**(28.2)**	(32.0)	(15.8)	(22.7)	(13.2)
Non—current liabilities	**(15.6)**	(16.0)	(24.2)	(27.2)	(24.0)
Net assets	**55.8**	42.8	32.5	29.0	29.8
Financed by					
Equity	**55.6**	42.6	32.2	28.8	29.6
Non-controlling interests	**0.2**	0.2	0.3	0.2	0.2
	55.8	42.8	32.5	29.0	29.8
Key statistics (pence)					
Earnings per share	**107.1**	83.9	39.4	46.5	17.9
Diluted earnings per share	**106.4**	83.2	39.3	46.4	17.8
Diluted adjusted earnings per share	**106.4**	83.7	40.8	34.8	31.4
Share price in the year (pence)					
High	**1,950.0**	1,100.0	455.0	285.0	528.4
Low	**870.0**	418.5	115.8	121.0	235.3

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