



# Knowledge, speed and flexibility

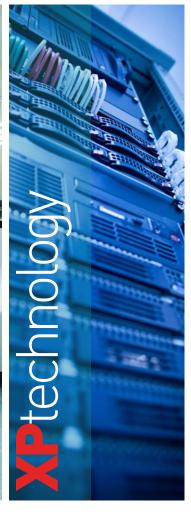
**XPpower** is a leading international provider of essential power control solutions. Power direct from the electricity grid is unsuitable for the equipment which it supplies.

**XPpower** designs and manufactures power converters — components which convert power into the right form for our individual customers' needs, allowing their electronic equipment to function.

XPpower 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.







# XP Operational and Financial Highlights

# **Our Investment Proposition**

- Exposure to a broad cross section of end markets Technology, Industrial and Healthcare — but with no direct 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" 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") product offering
- Targeting key accounts and increasing the penetration of existing key accounts
- An established pipeline of new class leading "Green" products which operate at high efficiency
- Enhancing our value proposition to our customers by manufacturing our own products
- Increasing the high margin contribution of own designed/ manufactured products

# Contents

# **BUSINESS REVIEW**

- **01** Operational and Financial Highlights
- 02 Markets
- 04 Products
- 05 Research and Development
- 06 Manufacturing
- 08 Environment and Corporate Social Responsibility
- 12 Quality of Earnings
- 15 Case Study
- 16 Questions & Answers
- 18 Chairman's Statement
- 19 Chief Executive's Review
- 22 Key Performance Indicators
- 23 Risk Management
- 24 Financial Review

# **GOVERNANCE REPORT**

- 26 The Board of Directors
- 28 Directors' Report
- 29 Corporate Governance Report
- 34 Directors' Remuneration Report
- 38 Statement by Directors

# FINANCIAL STATEMENTS

- 39 Independent Auditor's Report
- 40 Consolidated Statement of Comprehensive Income
- 41 Consolidated Balance Sheet
- **42** Consolidated Statement of Changes in Equity
- 43 Consolidated Statement of Cash Flows
- 44 Notes to the Consolidated Financial Statements
- 72 Company Balance Sheet
- 73 Notes to the Company Balance Sheet
- 81 Five Year Review
- 82 Advisors

# Our Performance

ORDERS

£96.6m

2011: £98.3m

**REVENUES** 

£93.9m

2011: £103.6m

GROSS MARGINS

(%)

47.8%

2011: 49.1%

DILUTED EARNINGS PER SHARE

81.3p

2011: 106.4p

DIVIDENDS

50p



# 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. Our direct sales model offers our customers' superior service and support in order to get their products to market on time.



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

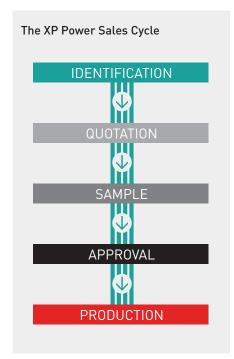
# **Our Market Position**

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 2012 was approximately 7%. Across Europe we have around 12% of the market and 10% in North America, whilst our share across Asia is approximately 1% of the market. This illustrates the number of significant commercial opportunities that remain open to XP Power.

# Knowledge Management Tools — Projects Database

Our proprietary knowledge management tool — the Projects Database — has been continuously developed over the last twelve 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



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

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.

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.

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.

# **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. We do business with over 70% of the Standard & Poor's 500 Equipment Manufacturers.

# 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.

# Growth Drivers Energy Efficiency

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**

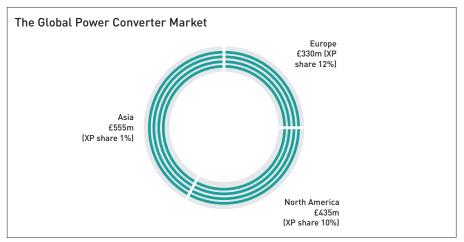
The diverse product requirements of XP Power's target market provide opportunities to enter new niches and provide flexible solutions

# Penetration

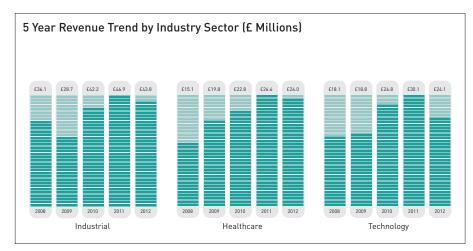
Our blue chip customer base provides good opportunities to win additional new product programs from multiple engineering teams across the globe.

# 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.



 $Source: XP\ management\ estimates/Micro-Tech\ Consultants.$ 



After two years of growth in 2010 and 2011, 2012 showed a decline in all sectors with Healthcare as the most resilient.



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.

In addition to performing the power conversion process the power converter has other critical functions to perform. It is a safety critical component in any system shielding the end user of the equipment from the potentially lethal mains supply. It also prevents electrical noise entering the mains supply from the customer's equipment and prevents mains noise from interfering with the customer's equipment.

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"

# CCH400/600



CCH400/600 is a base plate cooled product for harsh environments that allows the customer to dispense with fans.

# fleXPower

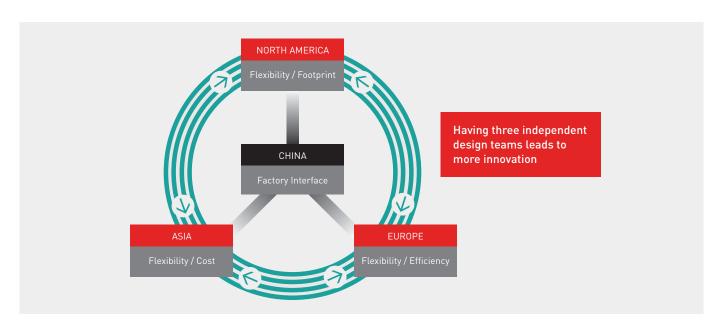


fleXPower is a fast turn alternative to a full custom design.

# ECE05/10



ECE05/10 are the smallest 5 and 10 Watt AC-DC converters currently on the market.



# 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.

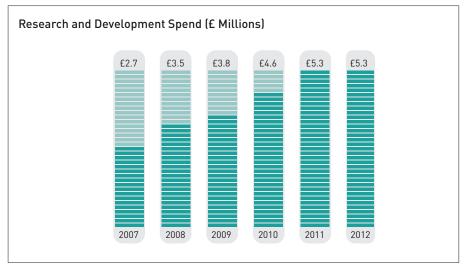
Consequently, the XP Power research and development function has developed, and continues to improve, the broadest product portfolio in its industry. XP Power's market leading research and development function and long term customer relationships mean that it is capable of successfully identifying and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

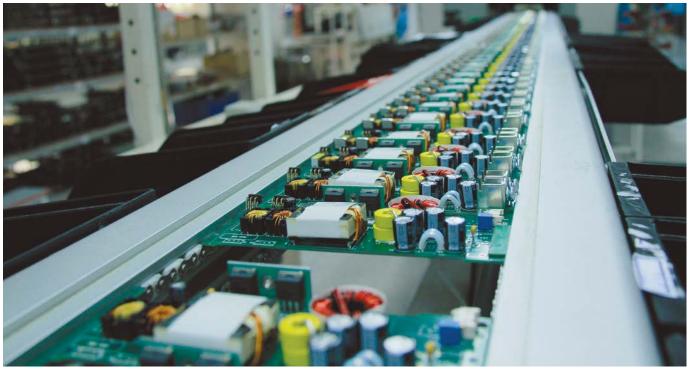
Even during the world wide downturn of 2009, XP Power consistently maintained its R&D spend on new product development; the fruits of this investment are now being seen, with more than 100 product families in our Power Supply Guide – the broadest and freshest product range in the industry.

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."



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

# XP Manufacturing as a Strategic Advantage



State-of-the-art manufacturing enhancing quality and reliability

"Healthcare customers have been particularly impressed, leading to a number of new strategic supplier agreements."

As XP Power sought to move up the value chain the Group identified an opportunity to move into manufacturing and offer its target blue chip customers the assurance of absolute control over the manufacturing process to ensure the highest standards of quality and reliability. This capability to manufacture the products we design gives us a clear and compelling strategic advantage over competitors who rely on third party contract manufacture. The addition of our own state-of-the-art manufacturing capability has been transformational to our business.

# Setting New Standards in Reliability

Our existing and target customers have leadership positions in their respective markets and 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 at Kunshan, near Shanghai, China, opened in June 2009. It uses class leading manufacturing techniques and equipment. This process starts with 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.

Our manufacturing capability is instrumental in winning more business with key blue chip customers, who insist on detailed factory audits before awarding contracts. Customer audits of the Kunshan facility have been very successful, with a number of key customers commenting that it is the best power converter factory that they have visited. Healthcare customers have been particularly impressed, leading to a number of new strategic supplier agreements.

# Control of the Supply Chain

It is important to many of our larger customers that we have complete control of our supply chain and, in particular, the components that are incorporated into our products. Concerns that components or processes may be changed to reduce costs without their knowledge, affecting the reliability or safety of their critical equipment when in service, means that outsourcing component manufacture to subcontractors is simply not acceptable to these customers. 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 recognised that moving into manufacturing would increase our value proposition to these customers and allow us to realise the full potential of 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 in at the outset. 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

In the first quarter of 2012 we commenced manufacture of magnetic components in our new facility located in Ho Chi Minh City, Vietnam. This facility is both state-of-the-art for our industry and the most environmentally friendly power converter manufacturing facility in the world. The environmental features of the facility are set out in our environmental report on pages 8 to 11.

The quality of the magnetic components produced by the new Vietnam facility has been of a very high standard. 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.



Further vertical integration by the manufacture of magnetic windings

"The quality of the magnetic components produced by the new Vietnam facility has been of a very high standard. This further vertical integration enhances the value proposition to our customers and mitigates the effect of rising costs in China."

# XP Our commitment to the environment and communities in which we operate



David Hempleman-Adams
Chairman — Environmental Committee

"We concluded that by far the biggest positive impact we can have on the environment is developing and promoting ever smaller products that waste less energy, consume less physical material and avoid the use of hazardous substances."

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 2012.

# Impact on the Environment

During the year, we conducted a detailed review of the impact of our activities on the environment. This review concluded that by far the biggest positive impact the Group can have on the environment is by developing and promoting ever smaller, high efficiency products that waste less energy, consume less physical material and avoid the use of hazardous substances. We made further strong progress with these efforts in 2012, shipping record volumes of our high efficiency green products in the year. In parallel, we continued to monitor and improve our own environmental performance, particularly the use of resources which cause greenhouse gas emissions, water usage and the use and disposal of hazardous substances. Further detail on the initiatives implemented across the year is provided below.

# **Environmental Considerations**

We have ingrained environmental and sustainability awareness into XP Power's culture so that the environmental impact of our activities is considered at every stage of the product lifecycle. This awareness starts with the 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 ease of recycling at the end of its use in service.

# **Uniquely Positioned**

XP Power plays a pivotal role in the energy chain. The power conversion products we design and manufacture are the "bridge" between the electricity utility companies and the end user, converting the energy from the grid and providing it in a form that can be

used by the electronic equipment in which it is specified. 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 and have products which are up to 95% efficient.

Continuing to improve the efficiency of our products and educating our customers regarding the benefits of converters that consume and waste less resource is the biggest positive impact we can have on the environment. In 2012 we shipped a record £8.1 million (2011 – £5.0 million) high efficiency "green" XP Power products representing 9% (2011: 5%) of total revenue.

We estimate that the annual savings in  $\mathrm{CO}_2$  emissions from these products versus a standard 80% efficiency product are a massive 6,500 tonnes. This annual saving will recur for the lifetime of the products in which they are used. We conservatively estimate the product lifetime as seven years. This would bring the estimated lifetime savings in this typical example to 45,500 tonnes of  $\mathrm{CO}_2$ , clearly illustrating the huge scale of the opportunity to reduce harmful emissions. This is just one year of shipments; the accumulative effect of many years of shipments of our green products is staggering.



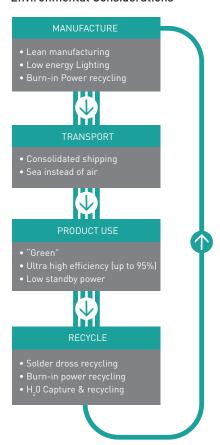
Solar panel array – just one of the green features of our Vietnam facility

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

# "Green" Products Shipped (£m/% of Revenue)



# **Environmental Considerations**



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

# XP Power and Efficient Energy Conversion

XP has increased the number of high efficiency and low stand-by power products in its ranges significantly in recent years, leading the industry in driving efficiency standards higher. (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

# Manufacturing

XP Power's 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. In addition, we have developed a novel way to recycle 50% of the power used in the burn-in testing of products. Computer control and capture of data from this equipment has allowed us to reduce burn-in times significantly saving even more energy and therefore reducing CO<sub>2</sub> emissions.

Waste from our soldering processes is recycled on site, again reducing our impact on the environment and reducing our costs. We recycled 4,387kg of solder during the year. We also recycle our other waste products from paper and components through to the canteen food.

The performance and achievements of our Kunshan facility were developed further in the design of our new manufacturing facility in Vietnam.

# XP Power's Vietnam Facility – The Most Environmentally Friendly Facility in the Industry

Our new Vietnamese manufacturing facility is now complete and production commenced in the first quarter of 2012. This facility meets the demanding Gold Plus rating of the BCA Green Mark requirements, the leading standard 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 now offer a range of class-leading products which are up to 95% efficient."

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.

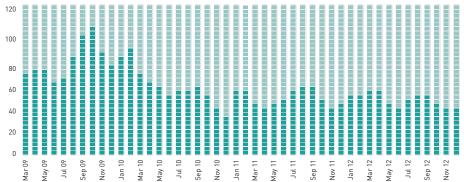
High efficiency air conditioning systems have been deployed and energy saved through an efficient building envelope.

We are proud that this is not only the most environmentally friendly building in our industry but also the first BCA Green Mark certified facility in Vietnam.

# Targets and performance

We have set ourselves a target of reducing our  $\mathrm{CO}_2$  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. We measure our  $\mathrm{CO}_2$  emissions in accordance with the Green House Gas (GHG) Protocol and our metrics include scope 1 and scope 2 emissions. The attached graph shows the three month moving average of  $\mathrm{CO}_2$  emissions per unit of revenue at our Kunshan facility.

# Kunshan CO<sub>2</sub> Emissions kg per US\$1,000 of revenue



# XP Our commitment to the environment and communities in which we operate

XP Power's average CO<sub>2</sub> emissions per unit revenue improved by 4% from 2011 to 2012. We have seen a 39% reduction in this metric since we starting measuring CO<sub>2</sub> emissions per unit revenue in 2009. Consequently, the Group is tracking ahead of its CO<sub>2</sub> reduction target. The additional environmental features built into our new Vietnamese facility will underpin a further improvement in the current year and beyond.

# Carbon Disclosure Project

XP Power is pleased to participate and disclose its environmental data to the Carbon Disclosure Project. The full data set provided to the Carbon Disclosure Project is publically available on the Carbon Disclosure Project website at www.cdproject.net.

### 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 to make all of the products it designs and manufactures compliant. This is not only good for the environment but also good for our business.

# Water

XP Power does not use water within its manufacturing processes and is therefore a low-level water user but we are mindful we have an important role to play to ensure our water usage is minimized, the use of alternative sources of water such as rainwater is maximized and that any waste-water is not contaminated. XP Power's 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.

Our Water Policy is to:

- Employ best practices to maximize the efficient use of water and minimize pollution and waste.
- · Regularly review and report on the water use of our facilities and activities.
- · Commit to continuous improvement in responsible water management through identifying objectives and setting measurable goals.
- Involve and educate employees, contractors and customers in our water use programs.
- · Engage with suppliers to encourage their participation in responsible water management best practices.

· Disengage with any suppliers who may be found to be negligent or non-compliant with responsible water management and who do not aggressively implement corrective actions.

We used 12 million litres of water in our main facilities around the world in 2012. Given water is not used in XP Power's manufacturing processes and we are a low-level user we do not set targets for water use.

# **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 wellbeing, health and safety and business ethics.

XP Power achieved Full Membership of the EICC in March 2011. 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.

# 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 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.

# Social responsibility

# 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 management and staff. In addition, XP Power's factories have employee committees which provide a more formal mechanism for staff to feed back issues and ideas to management. These meetings have proved to be excellent forums for promoting environmental awareness with employees suggesting many excellent ideas to improve environmental performance.

XP Power's workforce is also free to join unions and we have formal policies in place to ensure staff are treated fairly and have equal opportunities.

All 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.

# **Diversity**

XP Power operates in a global market and recognises its talented and diverse workforce as a key competitive advantage. Our business success is a reflection of the quality and skill of our people and the Group is committed to seeking out and retaining the finest talent to ensure top performance.

Diversity benefits individuals, teams, our company as a whole and our customers. We recognise that each employee brings their own unique capabilities, experiences and characteristics to their work and we value diversity at all levels of the company.

XP Power believes in treating all people with respect and dignity. We strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the company regardless of their differences. We are committed to employing the best people to do the best job possible and we recognise the importance of reflecting the diversity of our customers and markets in our workforce.

Our diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. Diversity makes us more creative, flexible, productive and competitive.

### Charitable activities

Our employees around the world have continued to engage with the communities in which we operate. As well as providing open days for school students, we have this year donated XP Power educational electronics kits to local primary schools in Asia, Europe and North America to encourage an interest in technology and electronics.



Sunnyvale Employees give up their time to help at the annual food bank



Primary school children get a taste of electronics from XP staff



XP Power electronics education kits in action



Environmental Committee members at the South Pole supporting "Walking with the Wounded" and "Alzheimers Research UK"

Two XP Power Environmental Committee members, David Hempleman-Adams and Dr. Lynne Summers spent nearly four weeks in Antarctica in November and December, 2012, supporting two worthy charities, "Walking with the Wounded" and "Alzheimers Research UK". In a group of ten including the four times Olympic Gold medallist, Sir Matthew Pinsent, they helped successfully lead three soldiers from the Royal Dragoon Guards who had themselves been wounded whilst working in Afghanistan to ski the last two degrees to the South Pole (120 nautical miles).

We do not make any charitable donations to political parties.

# **Business** ethics

We are committed to upholding the highest standard of business ethics and are committed to complying with all laws and regulations. Our code of ethics is incorporated into our sustainability manual which is publically available through our website www. xppower.com. This includes public policies on business integrity, bribery and corruption, protection of intellectual property, fair business practices and responsible sourcing, including conflict minerals and privacy.

# Whistle Blowing

XP Power has a formal "Whistle Blowing" policy to allow employees to raise issues of concern secure in the knowledge that they will be taken seriously and there will be no adverse repercussions where they have acted in good faith.

# Non-compliance, prosecutions, fines, accidents

The Company was not subject to any non-compliance prosecutions, fines or accidents, on any matter relating to environmental, health and safety or labour law infringements in any country during 2012.

# **Next Steps**

XP Power will continue to lead the industry in addressing the effect its activities have on the environment and on the communities in which we operate. 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

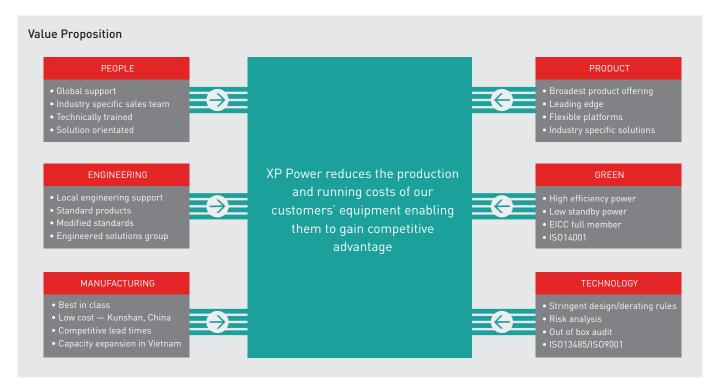
Chairman

Environmental Committee

# 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 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.



# 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 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

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

- Engineering We have design engineering teams on three continents - this allows us to release the high volume of innovative new products required by this highly diversified industry. These products often have class leading energy efficiency and small footprints to meet the ever higher demands of our key customers. Additional engineering service teams in Germany, North America and the UK are able to provide value added services close to our key customers. We are able to provide modified 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.

customers continues to build.



"High efficiency power conversion is not just environmentally friendly; it is also more reliable and therefore lower cost!"

Building quality and reliability into every process

- Manufacturing Our Asian manufacturing base in China and Vietnam 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.

# How Large Companies Choose 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.



# **XP** Quality of Earnings

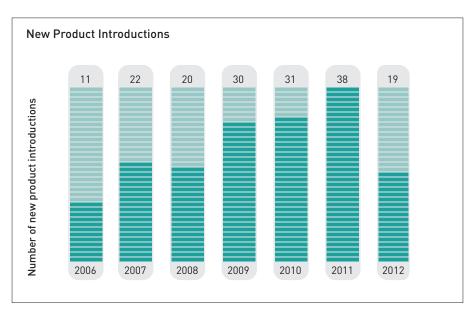
The fundamental selection criteria are as expected — competitive pricing and excellent quality and reliability. Customers in the power conversion market also require preferred suppliers with wide product ranges with the potential to satisfy future product requirements. XP Power scores strongly here,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

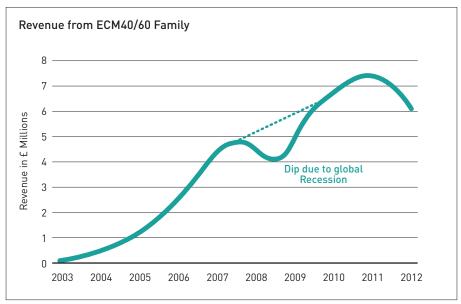


XP Power has been adding new products to its portfolio since 2003 to create the largest, freshest portfolio in the industry. Having established such a broad portfolio, the rate of new products has slowed with more of our engineering resource now focused on modifications to existing products.

# 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.

# **XP** Case Study — Healthcare

### **Multi-Parameter Patient Monitor**

XP Power received a challenging design brief from a large international medical equipment manufacturer for a high performance power converter for use in a multi-parameter patient monitor. The monitor was compact, containing no cooling fans, and had a high internal ambient temperature. Space for the power converter was limited and a very small footprint was required so that the electronics would fit tightly into the equipment.

In common with all medical applications, reliability and equipment lifespan were critical to the customer. Since higher temperatures within equipment shorten the expected lifetimes of some of the critical electronic components, it was extremely important to find ways to minimise the heat produced in operation and remove as much heat as possible from the equipment.

XP Power's solution was to specify its ECS100 converter – an innovative product with only a  $2" \times 4"$  footprint and capable of producing 80 Watts of power without the need for fan cooling. The ECS100 delivers high end performance in a small package but at a very competitive price.

In order to meet the customer's lifetime specification XP Power needed to ensure that the electrolytic capacitors would run as cool as possible. A detailed design review with the customer had identified the use of a heat sink on the back of the monitor to provide cooling for other electronics, and it was therefore proposed that this also be utilised to provide additional cooling for the power convertor.

To utilise this cooling method it was vital to determine an effective way of conducting the heat from the critical ECS100 components to the outside world. Drawing on experience gained in the development of its ECC100 product, a conduction cooled converter utilising a baseplate to conduct heat away, XP Power proposed an innovative design. The ECC100 was designed specifically for harsh environments without fans or air flow for cooling and made use of a special thermal material which, when placed around key components and compressed effectively, dissipated unwanted heat by conduction.

The first proposal was for an ECS100, fixed to a custom baseplate and surrounded by the special thermal material, to be bolted into the monitor's heat sink. Although technically a good solution, two potential issues were identified. First, the heat generated by the power converter could raise the temperature of the heat sink, which would affect other components bolted to it, and second, the cost of all the extra metalwork would drive up the cost of the end equipment. The solution was to divide the heat sink in half and bolt the power supply directly to one side, giving it a dedicated conduction path.

In a collaborative development effort, the customer designed a unique aluminium heat sink based around the shape of the monitor and XP Power developed the mechanical interface to secure the ECS100 power converter to the heat sink.

Today the whole power converter and heat sink assembly is manufactured in XP Power's factory in Kunshan, China. Since XP Power had not previously used cast aluminium heat sinks in its products, the customer introduced us to one of their existing approved suppliers in China to fabricate the heat sink and took responsibility for getting the tooling produced and the negotiations with the vendor.

XP Power project managed the entire process to ensure that parts arrived on time in the factory, enabling initial production batches to be produced. The whole assembly was also safety approved to medical standard IEC60601-1. The monitor went into initial production during the second half of 2012 and will enter full production in 2013.

Successful completion of the project provides an excellent example of how XP Power's engineering capabilities and flexibility delivered genuine value to the customer.

# Critical success factors

- Availability of a highly efficient base power converter with a small foot print
- Engineering resource that could work directly with the customer's design team
- Flexibility to modify the design to meet the customer's stringent life time requirements
- Flexible in-house manufacturing capability
- Ability to approve the whole power converter assembly to the latest medical standards
- Low cost Asian manufacturing
- Collaborative relationship with the customer throughout



# WHAT IS A POWER CONVERTER?

A power converter is an essential hardware component required in every piece of electrical equipment. The task of the component is to convert the relatively high voltage alternating current from the mains supply into stable low voltage direct current which is required by all electronic equipment. The power converter is also a safety critical component in any system as it protects the user of the equipment from the potentially lethal mains supply.

# WHO ARE XP POWER'S MAIN **CUSTOMERS?**

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.

# WHAT END MARKETS IS XP POWER EXPOSED TO?

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

# WHAT IS THE LIFE CYCLE OF A TYPICAL CUSTOMER PROGRAM?

# Α

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.

# WHAT IS THE GEOGRAPHIC SPLIT OF XP'S BUSINESS?

# Α

XP operates from 27 locations in Europe, North America and Asia. Revenues in the last full financial year were split North America 48%, Europe 44% and Asia 8%. 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.

# WHAT IS XP'S MARKET SHARE?

# Α

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 1% in Asia.

# WHAT IS THE VALUE THAT XP POWER PROVIDES TO ITS **CUSTOMERS?**

# Δ

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."

# WHAT ARE THE GROWTH DRIVERS FOR XP POWER'S MARKETS?

# Α

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.



"The ECS60, world's smallest 60 watt power supply at 2x3 inches."

# **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.

# WHAT ARE THE MAIN POTENTIAL RISKS TO THE BUSINESS?

# Α

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.

"Knowledge, Speed and Flexibility set XP apart from its competitors."

# 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.

# 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 set XP apart from its competitors.

# WHAT IS XP POWER'S ATTITUDE TO THE ENVIRONMENT?

# Α

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?

# Α

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.



Larry Tracey Chairman

"Despite challenging market conditions for capital equipment, the successful execution of our well-established strategy of moving up the value chain in to design and manufacture, delivered a solid result for the year".

### **Overview**

Despite challenging market conditions for capital equipment, the successful execution of our well-established strategy of moving up the value chain in to design and manufacture, delivered a solid result for the year. Earnings per share of 81.3p for 2012 (2011: 106.4p) demonstrated the resilience of our business model. These earnings, combined with strong cash generation, allowed us to increase the dividend by 11% to 50 pence per share (2011: 45 pence per share) while at the same time reducing our net debt. The compound average growth rate of earnings per share has been 21% over the last 5 years and 28% over the last 10 years.

# **Financial**

Total orders decreased by 2% to £96.6 million (2011: £98.3 million) in the year. Total revenues decreased by 9% to £93.9 million (2011: £103.6 million). Revenues from XP Power's own designed product were £57.6 million (2011: £59.2 million) or 62% of revenue (2011: 57%). As expected, gross margin declined slightly to 47.8% (2011: 49.1%) due to lower factory loading in the first quarter of 2012 and the start-up costs of our new Vietnamese manufacturing facility. Despite the decline in gross margin, operating profit was £21.0 million (2011: £25.3 million) or 22.4% of revenue (2011: 24.4%).

Net debt at the year-end was £10.6 million compared to £18.6 million at the end of 2011. Operating cash flow was £23.6 million (2011: £16.2 million) representing 112% 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 commenced production of magnetic components during the first quarter of 2012, 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 higher margin, own-designed products.

# Dividend

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

In line with our progressive dividend policy, a final dividend of 17 pence per share for the fourth quarter of 2012 is proposed. This dividend will be payable to members on the register on 15 March 2013 and will be paid on 10 April 2013.

When combined with the interim dividends for the previous quarters, the final proposed dividend results in a total dividend of 50 pence per share for the year (2011: 45 pence); an increase of 11%. The compound average growth rate of our dividend has been 20.1% over the last 5 years and 15.3% over the last 10 years.

# **Board Changes**

On 18 December 2012 the Group announced that Michael Hafferty, who had served as a Non-Executive Director since April 2007, would retire as as a Non-Executive Director with effect from 31 December 2012

On behalf of the Board, I would like to thank Michael for his contribution to XP Power over many years and wish him well for the future.

# Outlook

XP Power's customers supply capital equipment to markets across the globe. The macro-economic outlook for these customers appears to be less positive entering 2013, in an environment characterised by reduced government spending and increased taxation, which are not generally positive indicators for increased investment in capital equipment.

Orders received in the second half of 2012 were 9% higher than the comparable period in 2011. However, at this early stage of the year, this would indicate flat or only modestly increased revenue for 2013.

XP Power has a long-established strategy of targeting blue chip customers with strong leadership positions in their respective markets, and whose requirement to vet their suppliers' design and manufacturing facilities acts as a significant barrier to entry to many of the Group's competitors. The success of this strategy should leave us well placed for the year ahead. We expect further successful factory audits and customer wins in 2013 but are cautious given the state of capital equipment investment in our customers' end user markets at present.

**Larry Tracey** Chairman

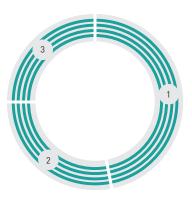
# **XP** Chief Executive's Review



**Duncan Penny** Chief Executive

"2012 was a challenging but significant year for XP Power. Notwithstanding the more uncertain economic backdrop, we continued to invest for the future."

# Sector Split Revenue %



- 1 Industrial 47%
- 2 Healthcare 28%
- 3 Technology 25%

### **Overview**

2012 was a challenging but significant year for XP Power. Macro-economic concerns continued to weigh on the capital equipment markets in which our customers operate and there seems little sign of improvement as we enter into 2013.

Notwithstanding the more uncertain economic backdrop, we continued to invest for the future, successfully implementing two key manufacturing initiatives during the year. Our new magnetics facility in Vietnam is now operational and producing excellent quality product. We have also brought in-house all the manufacture of our own-design products, which had previously been produced by a third party contract manufacturer. The Group now manufactures 100% of the products developed in its design centres, giving it total control over production and enhancing margins. Inevitably, the Vietnam start-up costs and the engineering costs of bringing our owndesign product in-house, in combination with low factory loading in the first quarter, did have some short term impact on our gross margins. However, these factors are now behind us and should allow an increase in gross margins in 2013.

Despite the factors discussed above the Group continued to produce class leading operating income of £21.0 million and excellent free cash flow of £20.9 million which enabled it to reduce net debt from £18.6 million at the beginning of 2012 to £10.6 million at the year-end.

The Group continued to make excellent progress in its strategy of increasing penetration of its key customer accounts. We expect that this continued focus on customers with leadership positions in their respective markets will enable us to continue to gain market share.

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.

The Vietnam facility gives us the capability to produce our own magnetics components 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 rapidly increasing costs in China.

A record 62% of our revenues came from our own designed products in 2012 (2011: 57%) and 93% of our total revenues now carry the XP Power brand (2011: 90%). Own designed products generate higher margins, and give XP Power the capability 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 was estimated to be £1.5 billion per annum in 2011. Early indications suggest that our markets may have declined by approximately 12% in 2012. We estimate XP Power's global market share to be around 7% in 2012. Across North America and Europe, XP Power currently has around 10% and 12% respectively of our available market, while across Asia our share is estimated to be 1%. 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 kev markets.



Vietnam manufacturing facility

# "XP Power's mix of quick response capability and global reach is a major competitive advantage."

The sector split of 2012 revenues was as follows: Industrial declined 7% to £43.8 million [2011: £46.9 million], Healthcare declined 2% to £26.0 million [2011: £26.6 million] and Technology declined 20% to £24.1 million [2011: £30.1 million]. The decline in the Technology sector was primarily attributable to weak demand from our customers in the semiconductor equipment sector.

According to geography our 2012 revenues were split: Asia down 16% to £7.7 million (2011: £9.2 million), Europe down 10% to £40.8 million (2011: £45.4 million) and North America down 7% to £45.4 million (2011: £49.0 million).

Our major blue chip customers require 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 is key to our success in winning new contracts and offers XP Power the opportunity to further increase its market share.

### 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.

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

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.

# 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. We consider that we now have the broadest, most up to date portfolio of products in the industry, many with class leading efficiency.

# North America 16 Sales Offices 1 HQ 2 HQ's 1 HQ 2 Sales offices throughout the world Asia 1 Sales Office 1 HQ

"We remain confident regarding our strategy of targeting customers with strong leadership positions in the respective markets in which they operate. These customers find our broad and up to date product offering and manufacturing capabilities extremely attractive especially given they are supported with very high service levels. We consider that this puts XP Power in a strong position to capitalise on its growth ambitions."

Research and development gross spend was £5.3 million in 2012 [2011: £5.3 million], and nineteen new product families were introduced in the year. As previously reported, having established such a broad portfolio, the rate of new product introductions has slowed with more of our engineering resource now focused on modifications to existing products to meet the precise requirements of individual customers. Over half of the product we sell is modified from the standard version in some form or another.

# **Manufacturing Capabilities**

Our target customers demand the ultimate in terms of quality control to ensure the reliability and safety 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 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.

In 2012 we have achieved a further major milestone with the commencement of production at our new magnetics facility

in Ho Chi Minh City, Vietnam. The Vietnam facility gives us the capability to produce our own magnetics components, 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 base to mitigate the effect of rapidly increasing costs in China.

The new Vietnam facility commenced production in the first quarter of 2012 and has been producing excellent quality magnetics. The start-up losses of this facility were approximately £0.5 million during the year and we expect the facility to be in a breakeven position for 2013.

We also embarked on an additional major initiative during 2012 which was to bring all of our own-design products assembled by contract manufacture in-house. This was a major engineering challenge for our manufacturing teams and research and development centres. Nearly 200 products have been transferred into our Kunshan facility. While this activity caused a drag on gross margins in 2012, it will be gross margin enhancing in 2013 as it improves factory utilisation. Full control of manufacturing will also allow us to offer more attractive lead times to our customers. We are currently carrying a buffer inventory of approximately £1.0 million to support our customers during this transition stage.

# 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 since 2009 and our progress is set out in detail in the Environmental Report on pages 8 to 11.

Our new Vietnamese magnetics facility is the most environmentally friendly power converter manufacturing facility in the world and we incorporated green technologies into the plant from the outset. The facility meets 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. We are proud that this in not only the most environmentally friendly facility in our industry but is the first BCA Green Mark certified industrial facility in Vietnam.

The biggest impact XP Power can have on the environment is to promote its high efficiency green products, which consume and waste less energy on an ongoing basis. Revenues from

these green products continue to increase. In 2012 we shipped £8.1 million of these green products or 9% of revenue, compared with £5.0 million or 5% of revenue in 2011.

# **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.

### Outlook

Design wins in 2012 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, the continued poor macroeconomic backdrop is presenting a challenging environment for capital investment as we enter 2013 and our customers remain cautious in terms of placing orders.

As a supplier to manufacturers of capital goods, we cannot expect to be immune from the effects of weak global end-markets, nevertheless, XP's successful repositioning as a designer and manufacturer leaves the Group well positioned to respond to these more difficult markets and to continue to take market share while sustaining margins.

We remain confident in our strategy of targeting customers with strong leadership positions in their respective markets. These blue chip customers find the Group's broad, up to date product offering, and manufacturing capabilities extremely attractive, especially since they are supported with very high service levels. We consider that these competitive strengths place XP Power in a strong position to capitalise on its medium term growth ambitions.

Mon

**Duncan Penny**Chief Executive

# XP Key Performance Indicators

# **OWN DESIGN REVENUE**

(£ MILLIONS) (1)



# PROPORTION OF OWN **DESIGN REVENUE** (2)



# **GROSS MARGIN**



# **ADJUSTED EARNINGS** PER SHARE (PENCE) (4)



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 49% to be achieved by the end of 2014.

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

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 21%.

Primarily due to market factors none of the targets for our performance indicators as set out above were achieved for 2012. 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 manufacturing facilities

The Group is dependent on its manufacturing facilities in China and Vietnam for the production of the majority of its products. Any issues that cause disruption at these production facilities could have a material adverse effect on their businesses.

# 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 2012, 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 24.0% 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.



Jonathan Rhodes Finance Director

"The Group's strong operating margin combined with a focus on working capital management resulted in an operating cash flow of £23.6 million and a significant reduction to Net Debt during the year."

### Cash Flow

The Group's strong operating margin combined with a focus on working capital management resulted in an operating cash flow of £23.6 million (2011: £16.2 million) and a significant reduction to Net Debt during the year. Net debt ended the year at £10.6 million compared to £18.6 million in 2011 notwithstanding increased returns to shareholders in the form of dividends at £8.9 million (2011: £7.4 million) and cash outflows relating to acquisitions of £2.0 million (2011: £0.1 million). Capital expenditure fell to £2.5 million (2011: £5.7 million) following the completion of the Vietnam manufacturing facility and inventories also declined to £19.8 million (2011: £22.0 million) in spite of transferring in the products manufactured by our former contract manufacturer to our own facilities.

# Income and Expenditure Account

Revenues declined by 9% to £93.9 million from £103.6 million in a year dominated by government austerity in many regions and global macro-economic uncertainty; which ultimately affected the demand for the capital equipment manufactured by our customers. Encouragingly, revenues from our own designed products increased as a proportion of total revenue to 62% (2011: 57%). During 2012 the average US Dollar to Sterling exchange rate was 1.58 compared to 1.60 in 2011. Despite this strengthening of the Dollar, on a constant currency basis our reported revenue remains unchanged.

The Group's gross margin for the year was 47.8% compared to 49.1% in 2011. Although our proportion of own designed sales continued to grow, there has been an overall margin deterioration in the year caused by the unusually low factory loading in the first

half of 2012 and the start up costs of our new Vietnam manufacturing facility.

Operating expenses were tightly controlled during the year at £23.9 million: a decrease of 7% compared with £25.6 million in 2011. In accordance with the requirements of IAS 38 Intangible Assets, during 2012 £2.2 million of product development expenditure was capitalised (2011: £2.0 million) and £1.0 million was amortised (2011: £0.9). Gross expenditure on product development was £5.3 million or 9% of own design revenue compared to £5.3 million, or 9% of own design revenue in 2011. This demonstrates our continuing commitment to enhance 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 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.

# NET DEBT

(£M)



# **OPERATING CASH FLOW**

(EM)



# SHAREHOLDER DIVIDENDS

(£M)



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 £10.5 million of forward currency contracts outstanding at 31 December 2012 (2011: £6.8 million).

# **Financing Costs**

In September 2012 the Group renewed its annual working capital facility at a reduced level of US Dollar 12.5 million (2011: US Dollar 15.0 million), priced at the Bank of Scotland (BOS) base rate plus a margin of between 2.0% and 3.0% depending on the ratio of Net Debt to EBITDA (2011: priced at the BOS base rate plus a margin of 2.5%).

No changes were made to the term debt facility which expires at the end of September 2014. This facility has a December 2012 outstanding balance of US Dollar 18.0 million with quarterly repayments at US Dollar 1.5 million and pricing of LIBOR plus a margin of between 1.75% and 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.

# **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 dividend (including final proposed) for a ninth consecutive year to 50p per share; an increase of 11% over the previous year.

### Substantial Interests

Other than the Directors' interests (see Directors' Remuneration Report), at 31 December 2012 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	1,551,062	8.1%
Generation Investment Management	1,233,762	6.4%
Aberdeen Asset Managers Ltd	1,029,466	5.4%
Henderson Global Investors	613,331	3.2%

"This year's financial performance has enabled us to increase the dividend for a ninth consecutive year to 50p per share."

Jonathan Rhodes
Finance Director

# TEN YEAR DIVIDEND HISTORY

(PENCE)



# **XP** Board of Directors

















- 01 Larry Tracey
- 02 James Peters
- 03 Duncan Penny
- 04 Mike Laver
- 05 Jonathan Rhodes
- 06 Andy Sng
- 07 John Dyson
- 08 David Hempleman-Adams

# Larry Tracey Chairman (age 65)

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 moved to the role of non-executive Chairman on 1 May 2012.

# James Peters Deputy Chairman (age 54)

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 moved to a non-executive role on 1 May 2012.

James is chairman of the Remuneration Committee.

# **Duncan Penny** Chief Executive (age 50)

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 50)

Mike has 20 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 41) Jonathan joined the Group in July 2008 as

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 42)

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.

# John Dyson Non-Executive Director (age 64)

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.

John joined the Board of XP Power in June 2000 and is the chairman of the Nomination Committee.

# **David Hempleman-Adams** Non-Executive Director (age 55)

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.

David is the senior non-executive director and chairman of the Audit Committee.

# Directors' Report

### **Directors**

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

Larry Tracey Jonathan Rhodes
James Peters Andy Sng
Duncan Penny John Dyson

Mike Laver David Hempleman-Adams

In accordance with the Company's Articles of Association James Peters, Duncan Penny and David Hempleman-Adams retire and, being eligible, offer themselves for re-election at the Annual General Meeting. In addition John Dyson will also offer himself for re-election at the Annual General Meeting. David Hempleman-Adams was nominated as Senior Non-Executive Director on 13 December 2012.

Michael Hafferty retired from the Board on 31 December 2012.

# 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**

Interim dividends were paid and are proposed as follows:

2011 Payment date Amount Comparative First Quarter 10 July 2012 10.0 pence 9.0 pence Second Quarter 11 October 2012 11.0 pence 10.0 pence Third Quarter 10 January 2013 12.0 pence 11.0 pence Fourth Quarter (proposed) 10 April 2013 17.0 pence 15.0 pence 50.0 pence 45.0 pence

We are proposing a final dividend of 17.0 pence per share which would be payable to members on the register on 15 March 2013 and will be paid on 10 April 2013. This would make the total dividend for the year 50.0 pence (2011: 45.0 pence) which is an increase of 11%.

# **Audit Committee**

The members of the Audit Committee at the end of the financial year were as follows:

David Hempleman-Adams (chairman) Michael Hafferty (retired 31 December 2012)

John Dyson

All members of the Audit Committee were non-executive directors.

David Hempleman-Adams took over the chair of the Audit Committee from John Dyson on 13 December 2012.

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 2012 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 reappointment at the forthcoming Annual General Meeting of the Company.

# **Independent Auditor**

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

On behalf of the directors

Chairman
25 February 2013

**Duncan Penny**Chief Executive

# Corporate Governance Report

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 2012 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 (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.

David Hempleman-Adams 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 considers that John Dyson 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.

The Corporate Governance guidelines do not consider Larry Tracey or James Peters to be independent by virtue of their previous executive roles. However, they are both founders and as substantial shareholders their membership of the Board is considered beneficial to shareholders as a whole.

# **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 Larry Tracey, James Peters, John Dyson and David Hempleman-Adams. It is chaired by John Dyson 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 13 December 2012 and all members of the committee were present.

The Terms of Reference of the Nomination 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.

Date	Attendees
6 January 2012	All
17 February 2012	All except David Hempleman-Adams
4 April 2012	All
5 July 2012	All except Mike Laver
20 July 2012	All
18 September 2012	All
3 October 2012	All except Michael Hafferty
13 December 2012	All except Michael Hafferty

# **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 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 2012.

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 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 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.

### **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.

# Corporate Governance Report

### 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 David Hempleman-Adams (chairman) and John Dyson. Despite not being considered independent by certain corporate governance institutions 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 serve on the Audit Committee.

The Audit Committee met three times during 2012, the attendees were as follows:

Date	Attendees
16 February 2012	All
19 July 2012	All
8 November 2012	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 reported in 2012.

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 conduct 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 reported as a result of internal audits during 2012.

# **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 34 to 37.

### **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 34 to 37. No director participates in the deciding of their own remuneration. James Peters is chairman of the Remuneration Committee.

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 shareholders 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.

# Directors' Remuneration Report

### 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 2012 were James Peters, John Dyson, Michael Hafferty and David Hempleman-Adams (all Non-Executive Directors). The committee is chaired by James Peters.

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

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

Date	Attendees
20 July 2012	All
3 October 2012	All except Michael Hafferty
13 December 2012	All except Michael Hafferty

### 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:

Pace for from 1 January 2012

- · 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**

Non Evecutive

Directors' basic salaries are reviewed by the Committee each year and when an individual changes position or responsibility. Basic salaries for all directors were reviewed as follows:

Date of last review

Non-Executive	Base fee from 1 January 2013	Date of last review	Effective date of last increase
Larry Tracey	£50,000	13 December 2012	See Note below
James Peters	£50,000	13 December 2012	See Note below
Executive	Base salary from 1 January 2013	Date of last review	Effective date of last increase
Mike Laver	US\$330,000	13 December 2012	1 January 2012
Duncan Penny	£260,000	13 December 2012	1 January 2012
Jonathan Rhodes	£100,000	13 December 2012	1 January 2012
Andy Sng	S\$225,000	13 December 2012	1 January 2012

Note: Larry Tracey and James Peters moved to non-executive roles from 1 May 2012. Prior to that date their best salaries were £203,330 and £197,585 respectively and the date of their last review was 1 January 2005.

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 Andy Sng receives a housing allowance relating to his relocation to Shanghai.

Effective date of last increase

#### **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 earnings. 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 2012.

There are no changes to the bonus arrangements for Directors in 2013. 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.

#### **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 XP Power Limited 2012 Share Option Plan as approved by the shareholders in April 2012. This Plan allows the Company to grant options up to an aggregate amount not exceeding 10% of the ordinary share capital of the Company.

#### **Pension Arrangements**

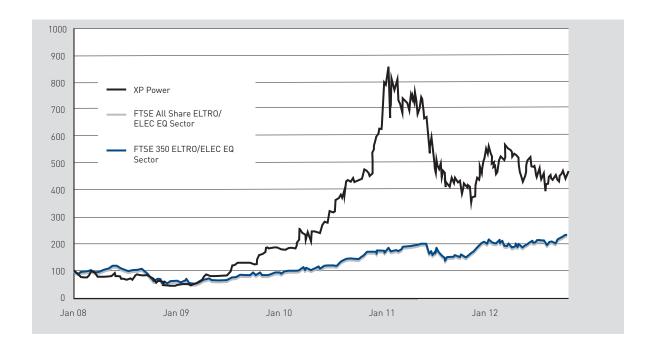
In the UK the Group operates a "Stakeholder Pension Scheme" and contributes 3% of base salary into this scheme on behalf of the participants including Executive Directors.

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' Remuneration Report

#### **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 Non-Executive Director fee for John Dyson, Larry Tracey and James Peters is £50,000.

The annual fee for David Hempleman-Adams is £30,000 with effect from 1 January 2013.

#### **Aggregate Directors' Remuneration**

The total amounts for directors' remuneration were as follows:

£	2012	2011
Basic salaries	788,107	984,906
Benefits in kind	76,173	152,166
Money purchase pension contributions	23,076	27,991
Non-executive director fees	167,371	99,385
Total remuneration	1,054,727	1,264,448

#### **Directors' Emoluments**

Name of Director	Salary and fees	Pension	Benefits	2012 Total	2011 Total
£					
Executive					
Larry Tracey (up to 30 April 2012)	63,914	1,917	8,315	74,146	203,330
James Peters (up to 30 April 2012)	63,914	1,917	2,222	68,053	197,585
Duncan Penny	254,012	7,547	12,279	273,838	327,655
Mike Laver	192,977	3,860	6,552	203,389	152,981
Jonathan Rhodes	100,000	3,000	1,102	104,102	2,350
Andy Sng	113,292	4,834	45,703	163,829	158,805
Non-Executive					
Larry Tracey (effective 1 May 2012)	33,333	_	_	33,333	_
James Peters (effective 1 May 2012)	33,333	_	_	33,333	_
John Dyson	50,352	_	_	50,352	49,693
Michael Hafferty (retired on 31 December 2012)	25,176	_	_	25,176	24,846
David Hempleman-Adams	25,176	_	_	25,176	24,846

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 2012, therefore no bonuses are payable to executive directors in respect of 2012.

#### **Directors' Interests in Ordinary Shares of XP Power Limited**

	At	At 1 January	
	31 December		
	2012	2012	
Executive			
Mike Laver (c)	136,494	136,494	
Jonathan Rhodes	<del>-</del>	_	
Duncan Penny	326,990	326,990	
Andy Sng	6,000	6,000	
Non-executive			
Larry Tracey (a)	1,396,838	1,532,838	
James Peters (b)	2,191,754	2,171,254	
John Dyson	15,000	15,000	
Michael Hafferty	_	_	
David Hempleman-Adams (d)	9,450	_	

- (a) Larry Tracey purchased 4,000 shares at a price of £11.75 on 08 May 2012 and transferred 140,000 shares at £ Nil on 24 August 2012 to his children.
- (b) James Peters purchased 7,000 shares at a price of £11 on 18 April 2012, 11,000 shares at £10.11 on 23 July 2012 and 2,500 shares at £10 on 06 November 2012.
- (c) Mike Laver participated in the deferred payment share scheme and as at 31 December 2012, the outstanding balance of the deferred payment share scheme is £220,879. The shares cannot be sold until four years from the date of acquisition.
- (d) David Hempleman-Adams purchased 5,000 shares at £10.61 on 16 April 2012 and 4,450 shares at £10.58 on 17 April 2012.

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

			AS at	AS at
		;	31 December	1 January
			2012	2012
		Exercise	Number	Number
Executive	Date of grant	price	of shares	of shares
Mike Laver	10 October 2012	£9.46	75,000	_
Jonathan Rhodes	10 October 2012	£9.46	20,000	_
Duncan Penny	10 October 2012	£9.46	75,000	_
Andy Sng	21 April 2005	£4.11	20,000	20,000
	26 April 2007	£5.072	30,000	30,000
	10 October 2012	£9.46	20,000	_

The highest and lowest closing mid market prices of the shares of XP Power Limited during 2012 were £12.83 and £8.05 per share respectively. The closing mid-market price on 31 December 2012 was £10.09 per share.

#### Approval

This report was approved by the Board of Directors on 25 February 2013 and signed on its behalf by:

**James Peters** 

Remuneration Committee Chairman

# Statement by Directors

In the opinion of the Directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 40 to 80 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 2012 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** 

Chairman

**Duncan Penny** Chief Executive

# Independent Auditor's Report

#### 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 40 to 80, which comprise the balance sheets of the Company and of the Group as at 31 December 2012, 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 as adopted by the European Union, 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 as adopted by the European Union 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 2012, 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

Public Accountants and Certified Public Accountants

ricavaterhouse Copers LLP

Singapore

# Consolidated Statement of Comprehensive Income For the financial year ended 31 December 2012

£ Millions	Note	2012	2011
Revenue	4	93.9	103.6
Cost of sales		(49.0)	(52.7)
Gross profit		44.9	50.9
Expenses			
Distribution and marketing		(19.1)	(20.7)
Administrative		(0.7)	(0.7)
Research and development	7	(4.1)	(4.2)
Operating profit		21.0	25.3
Finance cost	6	(8.0)	(1.0)
Profit before income tax		20.2	24.3
Income tax expense	8	(4.5)	(3.6)
Profit for the year		15.7	20.7
Other comprehensive income:			
Cash flow hedges	25	(0.2)	0.4
Exchange differences on translation of foreign operations	25	(0.6)	0.5
Other comprehensive income for the year, net of tax		(0.8)	0.9
Total comprehensive income for the year		14.9	21.6
Profit attributable to:			
Owners of the parent	25	15.5	20.3
Non-controlling interest	25	0.2	0.4
-		15.7	20.7
Total comprehensive income attributable to:			
Owners of the parent		14.7	21.2
Non-controlling interest		0.2	0.4
		14.9	21.6
Earnings per share attributable to owners of the parent (pence per share)			
— Basic	10	81.7	107.1
— Diluted	10	81.3	106.4

£ Millions	Note	2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents	16	4.1	6.3
Inventories	17	19.8	22.0
Trade receivables	18	14.2	16.0
Other current assets	19	1.2	2.6
Total current assets		39.3	46.9
Non-current assets			
Goodwill	11	30.5	31.3
Intangible assets	12	7.6	6.4
Property, plant and equipment	13	13.2	12.9
Investment in associates	15	_	0.1
Deferred income tax assets	24	0.3	0.4
ESOP loan to employees	27	1.2	1.6
Total non-current assets		52.8	52.7
Total assets		92.1	99.6
LIABILITIES  Current liabilities			
Current income tax liabilities	8	1.6	1.3
	20	11.1	1.3
Trade and other payables	20	11.1	1.4
Provision for deferred contingent consideration	22		13.4
Borrowings Derivative financial instruments	23	7.3 0.2	0.2
Total current liabilities	23	20.2	28.2
Non-current liabilities		20.2	20.2
Provision for deferred contingent consideration	21	1.5	2.1
Borrowings	22	7.4	11.5
Deferred income tax liabilities	24	1.7	2.0
Total non-current liabilities	Σ4	10.6	15.6
Total liabilities		30.8	43.8
NET ASSETS		61.3	55.8
NET ASSETS		01.0	33.0
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	(1.2)	(1.0
Hedging reserve	25	(0.2)	_
Translation reserve	25	(7.7)	(7.1
Retained earnings	25	42.8	36.3
		61.1	55.6
Non-controlling interests	25	0.2	0.2
TOTAL EQUITY		61.3	55.8

# Consolidated Statement of Changes in Equity For the financial year ended 31 December 2012

	_	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 2011		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
Sale of treasury shares	25	_	0.3	_	_	_	(0.1)	0.2	_	0.2
Purchase of treasury shares	25	_	(0.5)	_	_	_	_	(0.5)	_	(0.5)
Dividends paid	9	_	_	_	_	_	(8.9)	(8.9)	(0.2)	(9.1)
Total comprehensive income for the year	25	_	_	_	(0.2)	(0.6)	15.5	14.7	0.2	14.9
Balance at 31 December 2012		27.2	(1.2)	0.2	(0.2)	(7.7)	42.8	61.1	0.2	61.3

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

£ Millions	Note	2012	2011
Cash flows from operating activities			
Profit for the year		15.7	20.7
Adjustments for			
— Income tax expense	8	4.5	3.6
— Amortisation and depreciation	4	2.3	2.2
— Finance cost	6	0.8	1.0
— (Gain)/Loss on fair valuation of derivative financial instruments		(0.1)	0.1
— Unrealised currency translation losses		0.5	0.2
Change in the working capital			
<ul><li>Inventories</li></ul>		2.2	(1.0)
— Trade and other receivables		3.2	(1.5)
— Trade and other payables		(0.3)	[4.1]
— Provision for liabilities and other charges		(0.9)	_
Income tax paid	8	(4.3)	(5.0)
Net cash generated from operating activities		23.6	16.2
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		(0.1)	(0.1)
Purchases and construction of property, plant and equipment	13	(2.5)	(5.7)
Research and development expenditure capitalised	12	(2.2)	(2.0)
Proceeds from disposal of property, plant and equipment		0.4	_
ESOP loans repaid		0.5	0.8
Payment of deferred consideration	21	(1.9)	_
Net cash used in investing activities		(5.8)	(7.0)
Cash flows from financing activities			
Repayment of borrowings		(4.2)	[4.1]
Net purchase of treasury shares by ESOP		(0.5)	(0.8)
Interest paid		(0.5)	(0.8)
Dividend paid to equity holders of the Company	9	(8.9)	[7.4]
Dividend paid to non-controlling interests	25	(0.2)	[0.4]
Net cash used in financing activities		(14.3)	(13.5)
Net increase/(decrease) in cash and cash equivalents		3.5	[4.3]
Cash and cash equivalents at beginning of financial year		(3.3)	1.0
Effects of currency translation on cash and cash equivalents		0.3	_
Cash and cash equivalents at end of financial year	16	0.5	(3.3)

For the financial year ended 31 December 2012

#### 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 4.

#### 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

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 2012 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 2012 and not early adopted

- 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 2015, 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 2014.
- 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 2014.
- 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 management does not expect material impact on the Group.

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. Summary of significant accounting policies (continued)

#### 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 results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date;
- (ii) 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; and
- (iii) Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.
- (iv) 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.

#### 2.4 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 value 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.

For the financial year ended 31 December 2012

#### 2. Summary of significant accounting policies (continued)

#### 2.4 Group accounting (continued)

#### a) Subsidiaries (continued)

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 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.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. This cost of investment is subsequently adjusted to reflect changes in contingent consideration, if any. In the separate financial statements, cost of investment in subsidiaries also includes directly-attributable acquisition costs.

#### 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.

#### 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.

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.

#### 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 — 10-33% Buildings — 2-5% Leasehold land and buildings — 2-5%

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

The excess of the consideration transferred, the amount of non-controlling interest in the acquiree and the acquirindate fair value of any previous equity interest in the acquire over the fair value of the group's share of identifiable net assets acquired is recorded as goodwill. 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:

- There is an ability to use or sell the asset;
- Management intends to complete the asset and use or sell it;
- It can be demonstrated the asset will generate probable future economic benefits;
- It is technically feasible to complete the asset so that it will be available for use;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- The expenditure attributable to the asset during its development can be reliably measured.

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 when the product is ready and available for use.

For the financial year ended 31 December 2012

#### 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", "cash and cash equivalents" and "ESOP loans to employee" 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.

#### 2.13Leases

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.

For the financial year ended 31 December 2012

#### 2. Summary of significant accounting policies (continued)

#### 2.14Derivative financial instruments and hedging activities (continued)

#### (ii) Currency forwards

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

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

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

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

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

#### 2.15 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 weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 2.16 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.

For the financial year ended 31 December 2012

#### 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 £2.2 million (2011: £2.0 million) of development costs were capitalised bringing the total amount of development cost capitalised as intangible assets as of 31 December 2012 to £7.6 million (2011: £6.4 million), net of amortisation. Management has reviewed the balances by project, compared the carrying amount to expected future revenues and profits and is satisfied that no impairment exists and that the costs capitalised will be fully recovered as the products are launched to market. New product projects are monitored regularly and should the technical or market feasibility of a new product be in question, the project would be cancelled and capitalised costs to date removed from the balance sheet and charged to the income statement.

#### b) Impairment of Goodwill

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

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

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for the next five years and extrapolates cash flows for the following five years assuming no growth from that date. The carrying amount of goodwill as at 31 December 2012 was £30.5 million (2011: £31.3 million) with no impairment adjustment required for 2012.

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 2012 balance sheet date the Group has recorded estimated future payments related to the acquisition of the final of 16.0% of Powersolve Electronics Limited in early 2017. When discounted to present value the total of these payments are estimated at £1.5 million and that amount is reflected on the balance sheet as of the 2012 year end. Since the final payment will be dependent on the actual future financial performance of the business an estimate is required to approximate future business conditions. Refer to Note 21 for more details

If Powersolve's future earnings increase or decrease by 10% year on year for January 2013 to January 2015, the deferred consideration will be affected by £0.1 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, and a portion of corporate expenses. Costs excluded from segment operating income include stock-based compensation expense, income taxes, various non-operating charges, and other separately managed general and administrative costs.

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

Segment liabilities comprise trade and other current liabilities, derivative financial instruments, borrowings, deferred contingent consideration 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 2012 is as follows:

e Marie	2010	0044
£ Millions	2012	2011
Revenue		
Europe	40.8	45.4
North America	45.4	49.0
Asia	7.7	9.2
Total Revenue	93.9	103.6
Reconciliation of segment results to profit before income tax:		
Europe	7.4	9.8
North America	11.2	12.3
Asia	0.9	2.5
Segment result	19.5	24.6
Research and development	(4.1)	(4.2)
Finance cost	(0.8)	(1.0)
Corporate recovery from operating segment	5.6	4.9
Profit before income tax	20.2	24.3
Income tax expense	(4.5)	(3.6)
Profit for the year	15.7	20.7

The Group operates in the following countries:

£ Millions	2012	2011
North America	45.4	49.0
United Kingdom	22.4	28.0
Singapore	7.7	9.2
Germany	8.7	8.8
Switzerland	3.0	3.7
Other countries	6.7	4.9
Total Revenue	93.9	103.6

Majority of North America's revenue generates from United States of America.

#### 4. Segmental reporting (continued)

	Year to 31 December 2012			Y€	ear to 31 Decer	mber 2011		
£ Millions	Europe	North America	Asia	Total	Europe	North America	Asia	Total
Other Information					'			
Capital additions	0.4	0.2	1.9	2.5	0.4	0.4	4.9	5.7
Depreciation	0.4	0.2	0.7	1.3	0.4	0.2	0.7	1.3
Intangible assets additions	0.4	1.2	0.6	2.2	0.3	1.1	0.6	2.0
Amortisation	0.1	0.8	0.1	1.0	0.2	0.6	0.1	0.9
Balance sheet								
Goodwill	10.5	19.4	0.6	30.5	11.2	19.4	0.7	31.3
Other non-current assets	2.9	8.2	10.9	22.0	3.5	7.0	10.5	21.0
Inventories	1.4	6.8	11.6	19.8	1.5	6.8	13.7	22.0
Trade receivables	6.4	6.1	1.7	14.2	7.3	6.5	2.2	16.0
Other current assets	0.5	0.2	0.5	1.2	1.2	0.6	0.8	2.6
Cash	2.9	0.2	1.0	4.1	4.8	0.7	0.8	6.3
Segment assets	24.6	40.9	26.3	91.8	29.5	41.0	28.7	99.2
Unallocated deferred income tax				0.3				0.4
Consolidated total assets				92.1				99.6
Trade and other payables	(2.1)	(1.6)	(7.4)	(11.1)	(2.1)	(1.6)	(7.7)	(11.4)
Other current liabilities	_	_	(0.2)	(0.2)	_	_	(0.2)	(0.2)
Deferred contingent consideration	(1.5)	_	_	(1.5)	(4.0)	_	_	(4.0)
Segment liabilities	(3.6)	(1.6)	(7.6)	(12.8)	(6.1)	(1.6)	(7.9)	(15.6)
Unallocated corporate liabilities				(14.6)				[24.9]
Unallocated deferred and current income tax				(3.4)				(3.3)
Consolidated total liabilities				(30.8)				(43.8)

#### Analysis by customer

The revenue by class of customer was as follows:

	Year to 31 December 2012 North			Ye	ear to 31 Dece North	mber 2011		
£ Millions	Europe	America	Asia	Total	Europe	America	Asia	Total
Technology	10.4	9.9	3.8	24.1	11.6	12.5	6.0	30.1
Industrial	22.1	18.9	2.8	43.8	24.3	20.7	1.9	46.9
Healthcare	8.3	16.6	1.1	26.0	9.5	15.8	1.3	26.6
Total	40.8	45.4	7.7	93.9	45.4	49.0	9.2	103.6

There is no individual external customer that represents 10% or more of the Group's total revenue.

Non-current assets by countries:

£ Millions	2012	2011
North America	23.0	22.7
United Kingdom	4.5	4.4
Singapore	6.3	5.2
Germany	0.3	0.3
Switzerland	3.6	3.6
Other countries	13.6	14.5
Total non-current assets	51.3	50.7

#### 5. Employee compensation (including Directors)

2011
17.9
2.7
20.6
_

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

#### 6. Finance cost

£ Millions	2012	2011
Interest expense on bank loans and overdrafts	0.5	0.6
Interest expense on interest rate swap agreement	_	0.2
Unwinding of discount on deferred consideration (Note 21)	0.3	0.2
Total	0.8	1.0

#### 7. Expenses by nature

£ Millions	2012	2011
Profit for the year is after charging:		
Amortisation of intangibles	1.0	0.9
Depreciation of property, plant and equipment	1.3	1.3
Employee compensation	21.4	20.6
Foreign exchange losses	_	0.1
Loss on foreign exchange forward	0.1	0.1
Purchases of inventories	42.3	50.4
Changes in inventories	2.2	(1.0)
Fees paid to auditors:		
Audit	0.3	0.3
Other services — tax	0.1	0.1
Rent/lease expense	1.2	1.3
Finance cost	0.8	1.0
Other charges	3.0	4.2
Total	73.7	79.3

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

£ Millions	2012	2011
Gross research and development expenditure	5.3	5.3
Research and development expenditure capitalised	(2.2)	(2.0)
Amortisation of development expenditure capitalised	1.0	0.9
Net research and development expenditure	4.1	4.2

For the financial year ended 31 December 2012

#### 8. Income taxes

£ Millions	2012	2011
Singapore corporation tax		
— current year	1.0	1.3
— adjustment in respect of prior year	_	0.1
Overseas corporation tax		
— current year	3.1	2.9
— adjustment in respect of prior year	0.6	(1.3)
Current income tax	4.7	3.0
Deferred income tax		
— current year	0.2	1.3
— adjustment in respect of prior year	(0.4	(0.7)
Income tax expense	4.5	3.6

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

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

£ Millions	2012	2011
Profit before income tax	20.2	24.3
Tax on profit at standard Singapore tax rate of 17%	3.4	4.1
Tax incentives	(0.7)	(0.7)
Higher rates of overseas corporation tax	1.6	2.4
Non-deductible expenditure	0.1	_
Deduction for gains on employee share options	(0.1)	(0.3)
Adjustment in respect of prior year	0.2	(1.9)
Income tax expense	4.5	3.6

Deferred tax liabilities of £5.9 million (2011: £3.5 million) have not 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	2012	2011
At 1 January 2012	(1.3)	(3.4)
Currency translation differences	_*	0.1
Income tax paid	4.3	5.0
Income tax payable — current year	(4.0)	[4.2]
— prior year	(0.6)	1.2
At 31 December 2012	(1.6)	[1.3]

<sup>\*</sup> These balances are less than £0.1 million.

#### 8. Income taxes (continued)

The tax (charge)/credit relating to components of other comprehensive income are as follows:

		2012	
£ Millions	Before tax	Tax (charge)	After tax
Cash flow hedges	(0.2)	_	(0.2)
Currency translation differences	(0.6)	_	(0.6)
Other comprehensive income	(0.8)	_	(0.8)
Current tax		_	
Deferred tax		_	
		_	

2011

		lax	
£ Millions	Before tax	(charge)	After tax
Cash flow hedges	0.5	(0.1)	0.4
Currency translation differences	0.5	_	0.5
Other comprehensive income	1.0	(0.1)	0.9
Current tax		_	
Deferred tax		(0.1)	
		(0.1)	

#### 9. Dividends

Amounts recognised as distributions to equity holders in the period:

	201	2012		
	Pence	Pence		
	per share	£ Millions	per share	£ Millions
Prior year third quarter dividend paid	11.0*	2.1	8.0	1.5
Prior year final dividend paid	15.0*	2.8	12.0	2.3
First quarter dividend paid	10.0^	1.9	9.0*	1.7
Second quarter dividend paid	11.0^	2.1	10.0*	1.9
Total	47.0	8.9	39.0	7.4

<sup>\*</sup> Dividends in respect of 2011 (45.0p)

The third quarter dividend of 12.0 pence per share was paid on 10 January 2013. The proposed final dividend of 17.0 pence per share for 31 December 2012 is subject to approval by shareholders at the Annual General Meeting scheduled for 8 April 2013 and has not been included as a liability in these financial statements. It is proposed that the final dividend be paid on 10 April 2013 to members on the register as at 15 March 2013.

<sup>^</sup> Dividends in respect of 2012 (50.0p)

#### 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:

£ Millions	2012	2011
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(profit for the year attributable to equity shareholders of the parent)	15.5	20.3
Earnings for earnings per share	15.5	20.3
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	18,978	18,946
Effect of potentially dilutive share options (thousands)	76	138
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	19,054	19,084
Earnings per share from operations		
Basic	81.7p	107.1p
Diluted	81.3p	106.4p
Diluted adjusted*	81.3p	106.4р

<sup>\*</sup> Refer to Key Performance Indicators for additional disclosure

#### 11. Goodwill

£ Millions	2012	2011
Cost		
At 1 January	31.3	30.8
Provision for deferred contingent consideration (Note 21)	(0.9	0.3
Recognised on acquisition of subsidiaries	0.1	0.1
Foreign currency translation	_	* 0.1
At 31 December	30.5	31.3
Accumulated impairment loss		
At 31 December	_	_
Carrying Amount		
At 31 December	30.5	31.3

<sup>\*</sup> These balances are less than £0.1 million.

Goodwill arises on the consolidation of subsidiary undertakings.

A change in deferred contingent consideration of £0.9 million in 2012 was due to a decrease in the forecasted earnings related to the Powersolve acquisition. The final amount due in 2017 is related to the prior three year's earnings the estimates for which, based on 2012 performance were revised downward.

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

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units (a rate of 6.6% was used for 2012 and for 2011, the rate was 8.8%).

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 at average of 4%. The carrying amount of goodwill as at 31 December 2012 was £30.5 million [2011: £31.3 million] with no impairment adjustment required for 2012.

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 2013 to 31 December 2017. 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

	Development	Trade	
£ millions	costs	marks	Total
Cost			
At 1 January 2011	7.1	1.0	8.1
Additions	2.0	_	2.0
At 1 January 2012	9.1	1.0	10.1
Additions	2.2	_	2.2
At 31 December 2012	11.3	1.0	12.3
Amortisation			
At 1 January 2011	1.8	1.0	2.8
Charge for the year	0.9	_	0.9
At 1 January 2012	2.7	1.0	3.7
Charge for the year	1.0	_	1.0
At 31 December 2012	3.7	1.0	4.7
Carrying Amount			
At 31 December 2012	7.6	_	7.6
At 31 December 2011	6.4	_	6.4

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 product is ready and available for use.

#### 13. Property, plant and equipment

		Leasehold					Projects	
	Freehold	land and		Plant and	Motor	Building	under	
£ Millions	land	buildings	Buildings	equipment	vehicles	improvements	development	Total
Cost								
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 1 January 2012	0.2	3.6	1.5	9.7	0.5	1.6	4.0	21.1
Additions	_	_	_	1.2	0.2	0.1	1.0	2.5
Disposals	_	_	_	(0.6)	(0.1)	_	_	(0.7)
Transfer	_	4.7	_	0.1	_	_	(4.8)	_
Foreign currency translation	_	(0.1)	(0.1)	(0.3)	_	_	(0.2)	(0.7)
At 31 December 2012	0.2	8.2	1.4	10.1	0.6	1.7	_	22.2
Depreciation								
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 1 January 2012	_	0.3	0.1	6.4	0.2	1.2	_	8.2
Charge for the year	_	0.1	0.1	0.9	0.1	0.1	_	1.3
Disposals	_	_	_	(0.2)	(0.1)	_	_	(0.3)
Foreign currency translation	_	_	_	(0.2)	_	_	_	(0.2)
At 31 December 2012	_	0.4	0.2	6.9	0.2	1.3	_	9.0
Carrying Amount								
At 31 December 2012	0.2	7.8	1.2	3.2	0.4	0.4	_	13.2
At 31 December 2011	0.2	3.3	1.4	3.3	0.3	0.4	4.0	12.9

For the financial year ended 31 December 2012

#### 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 2012, all of which are consolidated are as follows:

Name of SubsidiaryOwnership (registration) and operationOwnership (2012) 2011Ownership (2012) 2011Auditor of subsidiariesXP Power AGSwitzerland100100Karpf Treuhand & Revisions AGXP Power LLCUSA100100Exempted to be audited by local statutory lawXP PLCUK100100PricewaterhouseCoopers LLPXP Power ApSDenmark100100Exempted to be audited by local statutory lawXP Power GmbHGermany100100Exempted to be audited by local statutory lawXP Power Norway ASNorway100100Inter Revisjon Oslo ASXP Power SAFrance100100Inter Revisjon Oslo ASXP Power Sweden ABSweden100100DeloittePowersolve Electronics Limited*UK100100PricewaterhouseCoopers LLPXP Power (Shanghai) Co., LimitedChina100100Shanghai JunFu PCZ/Jiahua CPAXP Power SrlItaly100100Exempted to be audited by local statutory law		Place of		D	
Name of Subsidiaryregistration and operation2012 (%)2011 (%)Auditor of subsidiariesXP Power AGSwitzerland100100Karpf Treuhand & Revisions AGXP Power LLCUSA100100Exempted to be audited by local statutory lawXP PLCUK100100PricewaterhouseCoopers LLPXP Power ApSDenmark100100Exempted to be audited by local statutory lawXP Power GmbHGermany100100Exempted to be audited by local statutory lawXP Power Norway ASNorway100100Inter Revisjon Oslo ASXP Power SAFrance100100DeloitteXP Power Sweden ABSweden100100PricewaterhouseCoopers LLPPowersolve Electronics Limited*UK100100PricewaterhouseCoopers LLPXP Power (Shanghai) Co., LimitedChina100Shanghai JunFu PCZ/Jiahua CPAXP Power SrlIltaly100100Exempted to be audited by local statutory law		Incorporation/	Proportion of	Proportion of	
Name of Subsidiaryand operation(%)(%)Auditor of subsidiariesXP Power AGSwitzerland100100Karpf Treuhand & Revisions AGXP Power LLCUSA100100Exempted to be audited by local statutory lawXP PLCUK100100PricewaterhouseCoopers LLPXP Power ApSDenmark100100Exempted to be audited by local statutory lawXP Power GmbHGermany100100Exempted to be audited by local statutory lawXP Power Norway ASNorway100100Inter Revisjon Oslo ASXP Power SAFrance100100DeloitteXP Power Sweden ABSweden100100DeloittePowersolve Electronics Limited*UK100100PricewaterhouseCoopers LLPXP Power (Shanghai) Co., LimitedChina100Shanghai JunFu PCZ/Jiahua CPAXP Power SrlItaly100Exempted to be audited by local statutory law		• •			
XP Power LLCUSA100Exempted to be audited by local statutory lawXP PLCUK100100PricewaterhouseCoopers LLPXP Power ApSDenmark100100DeloitteXP Power GmbHGermany100100Exempted to be audited by local statutory lawXP Power Norway ASNorway100100Inter Revisjon Oslo ASXP Power SAFrance100100DeloitteXP Power Sweden ABSweden100100DeloittePowersolve Electronics Limited*UK100100PricewaterhouseCoopers LLPXP Power (Shanghai) Co., LimitedChina100Shanghai JunFu PCZ/Jiahua CPAXP Power SrlItaly100Exempted to be audited by local statutory law	Name of Subsidiary	•			Auditor of subsidiaries
XP PLC UK 100 100 PricewaterhouseCoopers LLP XP Power ApS Denmark 100 100 Exempted to be audited by local statutory law XP Power SA France 100 100 Inter Revisjon Oslo AS XP Power Sweden AB Sweden 100 100 Deloitte XP Power Slanghaij Co., Limited China 100 100 Shanghai JunFu PCZ/Jiahua CPA XP Power Srl Italy 100 100 Exempted to be audited by local statutory law 100 100 Inter Revisjon Oslo AS Inter Revisjon Oslo	XP Power AG	Switzerland	100	100	Karpf Treuhand & Revisions AG
XP PLCUK100100PricewaterhouseCoopers LLPXP Power ApSDenmark100100DeloitteXP Power GmbHGermany100100Exempted to be audited by local statutory lawXP Power Norway ASNorway100100Inter Revisjon Oslo ASXP Power SAFrance100100DeloitteXP Power Sweden ABSweden100100DeloittePowersolve Electronics Limited*UK100100PricewaterhouseCoopers LLPXP Power (Shanghai) Co., LimitedChina100100Shanghai JunFu PCZ/Jiahua CPAXP Power SrlItaly100100Exempted to be audited by local statutory law	XP Power LLC	USA	100	100	Exempted to be audited by
XP Power ApS  XP Power GmbH  Germany  XP Power Norway AS  XP Power SA  XP Power Sweden AB  Powersolve Electronics Limited*  XP Power (Shanghai) Co., Limited  XP Power Srl  Italy  Denmark  100  100  Exempted to be audited by local statutory law  100  Inter Revisjon Oslo AS  100					local statutory law
XP Power GmbH  Germany  Norway  Norway  Norway  The power Norway AS  XP Power SA  XP Power SA  XP Power Sweden AB  Powersolve Electronics Limited*  XP Power [Shanghai] Co., Limited  XP Power Srl  Italy  Inter Revisjon Oslo AS  Exempted to be audited by local statutory law  Inter Revisjon Oslo AS  Inter Revisjon Oslo	XP PLC	UK	100	100	PricewaterhouseCoopers LLP
XP Power Norway AS XP Power SA XP Power Sweden AB Powersolve Electronics Limited* XP Power [Shanghai] Co., Limited  XP Power Srl  Ilaly Ilocal statutory law	XP Power ApS	Denmark	100	100	Deloitte
XP Power Norway AS XP Power SA XP Power SWeden AB Powersolve Electronics Limited* XP Power (Shanghai) Co., Limited  XP Power Srl  Italy  Norway 100 100 Inter Revisjon Oslo AS 100 Deloitte 100 PricewaterhouseCoopers LLP 100 Shanghai JunFu PCZ/Jiahua CPA 100 Exempted to be audited by local statutory law	XP Power GmbH	Germany	100	100	,
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 Shanghai JunFu PCZ/Jiahua CPA XP Power Srl Italy 100 100 Exempted to be audited by local statutory law					local statutory law
XP Power Sweden AB  Powersolve Electronics Limited*  XP Power (Shanghai) Co., Limited  XP Power Srl  Italy  Sweden  100  100  PricewaterhouseCoopers LLP  100  Shanghai JunFu PCZ/Jiahua  CPA  100  Exempted to be audited by local statutory law	XP Power Norway AS	Norway	100	100	Inter Revisjon Oslo AS
Powersolve Electronics Limited*  XP Power (Shanghai) Co., Limited  China  100  100  Shanghai JunFu PCZ/Jiahua  CPA  XP Power Srl  Italy  100  100  Exempted to be audited by local statutory law	XP Power SA	France	100	100	Deloitte
XP Power (Shanghai) Co., Limited  China  100  Shanghai JunFu PCZ/Jiahua CPA  XP Power Srl  Italy  100  Exempted to be audited by local statutory law	XP Power Sweden AB	Sweden	100	100	Deloitte
XP Power Srl Italy 100 100 Exempted to be audited by local statutory law	Powersolve Electronics Limited*	UK	100	100	PricewaterhouseCoopers LLP
XP Power Srl Italy 100 100 Exempted to be audited by local statutory law	XP Power (Shanghai) Co., Limited	China	100	100	Shanghai JunFu PCZ/Jiahua
local statutory law					CPA
·	XP Power Srl	Italy	100	100	Exempted to be audited by
XP Power (Hong Kong) Limited HK 100 200 PricewaterhouseCoopers LLP					local statutory law
7.1. Total (Fig. 2.1	XP Power (Hong Kong) Limited	HK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited Singapore 100 100 PricewaterhouseCoopers LLP	XP Power Singapore Holdings Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP
XP Power (Vietnam) Co., Limited Vietnam 100 100 PricewaterhouseCoopers LLP	XP Power (Vietnam) Co., Limited	Vietnam	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Manufacturing Pte Ltd Singapore 100 100 PricewaterhouseCoopers LLP	XP Power Singapore Manufacturing Pte Ltd	Singapore	100	100	PricewaterhouseCoopers LLP

<sup>\*</sup> The legal shareholding and the proportion of voting power held is 84% (2011: 69.7%).

#### 15. Investment in associate

Total liabilities  Total Income Expenses		0.1 0.1 (0.1)
Total	_	
		0.1
Total liabilities	_	
T + 10 100		
Total assets	_	0.1
£ Millions	2012	2011

In 2011, the Group had a 20% stake in Safety Power, a company incorporated in the United Kingdom.

On 3 August 2012, Powersolve Electronics Limited acquired the share capital of Safety Power Group Limited. As at 1 September 2012 the net assets of Safety Power Group Limited amounting to £0.3 million were transferred to Powersolve Electronics Limited and the company ceased trading as of this date.

On 21 December 2012, a dividend was declared to Powersolve Electronics Limited of £0.2 million (2011: £Nil million).

#### 16. Cash and cash equivalents

£ Millions	2012	2011
Cash at bank and on hand	4.1	6.3
Total	4.1	6.3

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

£ Millions	2012	2011
Cash at bank and on hand (as above)	4.1	6.3
Less: Bank overdrafts (Note 22)	(3.6)	(9.6)
Cash and cash equivalents per consolidated cash flow statement	0.5	(3.3)
Reconciliation of changes in Cash and Cash Equivalents to movements in Net Debt		
£ Millions	2012	2011
Net increase/(decrease) in cash and cash equivalents	3.5	(4.3)
Repayment of borrowings	4.2	4.1
Effects of currency translation	0.3	_
Movement in net debt	8.0	(0.2)
Net debt at start of year	(18.6)	(18.4)
Net debt at end of year	(10.6)	(18.6)
Reconciliation to free cash flow		
£ Millions	2012	2011
Net cash inflow from operating activities	23.6	16.2
Research and development expenditure capitalised	(2.2)	(2.0)
Net interest paid	(0.5)	(0.8)
Free cash flow	20.9	13.4

#### 17. Inventories

£ Millions	2012	2011
Goods for resale	12.9	14.8
Raw materials	6.7	6.9
Work-in-progress	0.2	0.3
Total	19.8	22.0

The cost of inventories recognised as an expense and included in "cost of sales" amounts to £49.0 million (2011: £52.7 million).

#### 18. Trade receivables

£ Millions	2012	2011
Trade receivables	14.2	16.0
Total	14.2	16.0

The average credit period taken on sales of goods is 55 days (2011: 56 days). No interest is charged on the outstanding receivable balance. The carrying amounts of trade receivables approximate their fair values.

#### 19. Other current assets

2012	2011
1.2	1.7
_	0.9
1.2	2.6
	1.2

The loan to employee is £Nil million (2011: £0.9 million). During the year, £0.9 million was repaid inclusive of interest of 6%.

For the financial year ended 31 December 2012

#### 20. Trade and other payables

£ Millions	2012	2011
Trade and other payables	11.1	11.4
Total	11.1	11.4

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	2012	2011
At 1 January	4.0	3.5
Movement in provision during the year	(0.9)	0.3
Payment	(1.9)	_
Adjustment for unwinding of discount rate	0.3	0.2
At 31 December	1.5	4.0
Current portion of provision for deferred contingent consideration	_	1.9
Non-current portion of provision for deferred contingent consideration	1.5	2.1
Total	1.5	4.0

The Group owns 84.0% (2011: 69.7%) of the shares of Powersolve Electronics Limited ("Powersolve") and had entered into an agreement on 19 December 2011 to purchase the remaining 16.0% of the shares 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 for 3 years ending 2016.

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	2012	2011
On demand or within one year	7.3	13.4
In the second year	7.4	3.8
In the third year	_	7.7
	14.7	24.9
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(7.3)	(13.4)
Total repayable after 12 months	7.4	11.5

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

December 2012			
£ Millions	GBP	USD	Total
Bank overdrafts	2.4	1.2	3.6
Bank loans	_	11.1	11.1
Total	2.4	12.3	14.7

#### December 2011

2000111201 2011			
£ Millions	GBP	USD	Total
Bank overdrafts	0.8	8.8	9.6
Bank loans	_	15.3	15.3
Total	0.8	24.1	24.9

#### 22. Borrowings (continued)

The average interest rates paid were as follows:

	2012	2011
Bank overdrafts	2.9%	3.0%
Bank loans	2.5%	3.6%

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

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

- 1. Bank overdrafts are repayable on demand. The bank overdrafts are secured on the assets of the Group. At 31 December 2012, the Group had an overdraft of £3.6 million (2011: £9.6 million). In October 2012, the Group renewed its annual working capital facility, which is reduced from US\$15.0 million (£9.2 million) to US\$12.5 (£7.7 million), priced at Bank of Scotland's base rate plus a margin of between 2.0% and 3.0% depending on the ratio of Net Debt to EBITDA (2011: priced at the Bank of Scotland's base rate plus a margin of 2.5%)
- 2. The Group has a term debt facility with Bank of Scotland plc at US\$27.0 million (£16.6 million) with quarterly repayment of US\$1.5 million (£0.9 million) and a final repayment of US\$9.0 million (£5.53 million) due on expiry of 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. (2011: priced at LIBOR plus a margin of 2.0%)
- 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 2012.

#### 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 2012, the total notional amount of outstanding currency forward contracts that the Group has committed is £6.6 million (2011: £1.7million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

December 2012 £ Millions	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts	6.6	(0.2)
Current portion	4.4	(0.2)
Non-current portion	2.2	_
Total	6.6	(0.2)

December 2011 <b>£ Millions</b>	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts	1.7	*
Current portion	1.7	_*
Total	1.7	_*

<sup>\*</sup>These are balances less than £0.1 million.

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

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

December 2012 £ Millions	Contract notional amount	Fair value asset
Forward foreign exchange contracts	3.9	_ *
Current portion	3.9	_ *
Total	3.9	_ *

#### 23. Derivative financial instruments (continued)

December 2011 <b>£ Millions</b>	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts	5.1	(0.2)
Current portion	5.1	(0.2)
Total	5.1	(0.2)

<sup>\*</sup>These are balances less than £0.1 million.

#### 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 2011	0.3	(0.6)	0.8	(1.4)	(0.1)	(1.0)
Charge to income statement	(0.6)	(0.3)	(0.5)	(0.2)	1.0	(0.6)
At 1 January 2012	(0.3)	(0.9)	0.3	(1.6)	0.9	(1.6)
Charge to income statement	0.1	0.1	(0.1)	_	0.1	0.2
Total	(0.2)	(0.8)	0.2	(1.6)	1.0	(1.4)

£ Millions	2012	2011
Deferred tax assets		
— To be recovered after more than 12 months	0.3	0.3
— To be recovered within 12 months	_	0.1
	0.3	0.4
Deferred tax liabilities		
— To be recovered after more than 12 months	(1.7)	(2.0)
	(1.7)	(2.0)
Deferred tax liabilities (Net)	[1.4]	(1.6)

# 25. Share capital and reserves

Called up share capital

Balance at 31 December

£ Millions	2012	2011
Allotted and fully paid 19,242,296 ordinary shares (2011: 19,242,296)	27.2	27.2
Merger reserve		
£ Millions	2012	2011

Treasury shares		
£ Millions	2012	2011
Balance at 1 January	(1.0)	(1.0)
Sale of shares	0.3	0.7
Purchase of shares	(0.5)	(0.7)
Balance at 31 December	(1.2)	(1.0)

As at 31 December 2012, the Group's Employee Share Ownership Plan (ESOP) held 241,296 (2011: 261,634) shares carrying a value of £1,305,789 (2011: £925,789) owned by the Trust.

0.2

# 25. Share capital and reserves (continued) Hedging reserve

£ Millions	2012	2011
Balance at 1 January	_	(0.4)
Fair value (losses)/gains	(0.2)	0.4
Balance at 31 December	(0.2)	_
Translation reserve		
£ Millions	2012	2011
Balance at 1 January	(7.1)	(7.6)
Exchange differences on translation of foreign operations	(0.6)	0.5
Balance at 31 December	(7.7)	(7.1)
Retained earnings		
£ Millions	2012	2011
Balance at 1 January	36.3	24.2
Profit for the year	15.5	20.3
Loss on treasury shares	(0.1)	(0.8)
Dividends paid	(8.9)	[7.4]
Balance at 31 December	42.8	36.3

#### Non-controlling interests

The non-controlling shareholders are entitled to their share of any dividend declared. £0.2 million was paid to Powersolve non-controlling shareholders in 2012. The balance payable for 2012 was £0.2 million (2011: £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	2012	2011
Within one year	1.1	1.1
In the second to fifth years inclusive	2.2	2.6
After five years	0.7	1.0
Total	4.0	4.7

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

#### 27. ESOP loan to employees

2012	2011
1.2	1.6
1.2	1.6
	1.2

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.

For the financial year ended 31 December 2012

#### 28. Pensions

The total pensions cost recognised are £2.9 million (2011: £2.7 million) for the Group.

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 £1.4 million (2011: £1.3 million) represents the Group's "matching" contribution which will be paid in 2012.

In the United Kingdom and Europe, the Group operates a defined contribution pension scheme for its employees amounting to £1.1 million (2011: £1.1 million).

In Asia, the Group contributes to the defined contribution plans regulated and managed by the governments. The Group's contribution to the defined contribution plans is charged to the profit and loss account in the period to which the contributions relate and the total cost charged to income was £0.4 million (2011: £0.3 million).

#### 29. Related party transactions

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.

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

	2012 £	2011 £
Loan to employee (Note 19)	_	900,000

As at 31 December 2012, the Company's Employee Share Ownership Plan has provided interest rate free loans totalling £220,879 (2011: £556,880) to 1 Director (2011: 2 Directors) for the deferred payment share scheme. The detailed information is provided for in the Directors' Remuneration Report on page 37.

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 34 to 37.

	2012 £	2011 £
Short-term employee benefits	1,031,651	1,236,457
Post employment benefits	23,076	27,991
Total directors' remuneration	1,054,727	1,264,448

#### 30. Share based payments

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

Number of shares	Exercise Price	Grant Date	Expiry Date
3,000	£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
11,000	£3.90	28 September 2006*	28 September 2016
85,300	£5.073	26 April 2007*	26 April 2017
345,000	£9.46	10 October 2012*	10 October 2022
466.800			

<sup>\*</sup> Approved option schemes, vesting in four equal annual instalments from the exercisable date.

#### 30. Share based payments (continued)

	2012		2011	
	Weighted			Weighted
		average		average
	Number	exercise	Number	exercise
	of share	price	of share	price
	options	(pence)	options	(pence)
Outstanding at beginning of the year	199,200	417	365,325	369
Granted during the year	345,000	946	_	_
Forfeited during the year	_	_	(1,250)	507
Exercised during the year	(77,400)	332	(164,875)	310
Outstanding at the end of the year	466,800	822	199,200	417
Exercisable at the end of the year	121,800	471	199,200	417

The weighted average share price at the date of exercise for the share options exercised during the period was £11.40p. The options outstanding at 31 December 2012 had a weighted average exercise price of 822p, and a weighted average remaining contractual life of eight years.

In 2012, the Group has taken a charge of £0.03 million to recognize the issuance of employee share based options. The fair value of options was determined using Black Scholes Model with a share price of £10.09 and a weighted average exercise price of £9.46, standard deviation of expected share returns of 0.0171, and an annual risk free interest rate of 0.33%. The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last 1 year.

#### 31. Financial risk management

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

#### a) Capital risk

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

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

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

#### b) Currency risk

The Group operates in Asia, Europe and North America and its activities expose it to transactional risks resulting from changes in foreign currency exchange rates. The Group monitors and manages these transactional foreign exchange risks relating to the operations of the Group through internal reports analysing major currency exposures. Where possible, the Group seeks to offset exposures by matching monetary asset and liability exposures in like currencies against each other often using its bank facilities to square off or reduce exposures. To manage the currency risk, the Group manages the overall currency exposure mainly through currency forwards. The Group's risk management policy is to hedge a portion of highly probable forecast purchases transactions.

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

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

#### b) Currency risk (continued)

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

_					
£ Millions	GBP	EUR	USD	Others	Total
At 31 December 2012					
Financial assets					
Cash and cash equivalents	1.5	1.1	0.9	0.6	4.1
Trade receivables	2.2	1.6	10.3	0.1	14.2
Other current assets	0.6	_	0.4	0.2	1.2
ESOP loan to employees	1.2	_	_	_	1.2
Sub-total Sub-total	5.5	2.7	11.6	0.9	20.7
Financial liabilities					
Borrowings	(1.4)	_	(13.3)	_	(14.7)
Trade and other payables	(1.3)	(0.5)	(8.8)	(0.5)	(11.1)
Other financial liabilities	(1.5)	_	_	_	(1.5)
Sub-total Sub-total	(4.2)	(0.5)	(22.1)	(0.5)	(27.3)
Net financial assets/(liabilities)	1.3	2.2	(10.5)	0.4	(6.6)
Less: currency forwards	3.9	6.6	_	_	10.5
Currency profile including non-financial assets and liabilities	(2.6)	(4.4)	(10.5)	0.4	(17.1)
Less: Financial (liabilities)/assets denominated in the					
respective entities' functional currencies	2.6	1.4	(13.3)	0.2	(9.1)
Currency exposure of financial (liabilities)/assets	(5.2)	(5.8)	2.8	0.2	(8.0)
£ 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	(8.0)	_	(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: Currency forwards	3.7	3.1	_	_	6.8
Currency profile including non-financial and liabilities	(3.8)	(1.4)	(15.5)	0.1	(20.6)
Less: Financial (liabilities)/assets denominated in the					
respective entities' functional currencies	0.4	1.7	(21.5)	0.2	[19.2]
Currency exposure of financial (liabilities)/assets	(4.2)	(3.1)	6.0	(0.1)	[1.4]

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

#### b) Currency risk (continued)

If the US Dollar and Euro change against Sterling by 1% and 7% respectively (2011: US Dollar 10%, Euro 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	2012 Profit after tax	2011 Profit after tax
Group		
EUR against GBP		
— strengthened	(0.4)	(0.3)
— weakened	0.4	0.3
USD against GBP		
— strengthened	-*	0.6
_ weakened	_*	(0.6)

<sup>\*</sup>These are balances less than £0.1 million.

The impact of the other comprehensive income on the currency risk is not significant.

#### c) Interest rate risk

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% (2011: 0.5%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by £92,000 (2011: £117,000) 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 credit risk for trade receivables by geographic area is as follows:

£ Millions	2012	2011
By geographical areas		
Europe	6.4	7.3
US	6.1	6.5
Asia	1.7	2.2
	14.2	16.0

£ Millions	2012	2011
By type of customers		
Non-related parties	14.2	16.0
	14.2	16.0

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

£ Millions 2012	2011
Past due 0 – 2 months 7.8	4.3
Past due 3 – 4 months 0.5	0.3
Past due over 4 months 0.1	_
8.4	4.6

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

#### d) Credit risk (continued)

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

£ Millions	2012	2011
Gross amount	0.3	0.3
Less: Allowance for impairment	(0.3)	(0.2)
	_	0.1
Beginning of financial year	(0.2)	(0.3)
Allowance made	(0.1)	_
Allowance utilised	_	0.1
End of the financial year	(0.3)	(0.2)

#### e) Liquidity risk

The table below analyses the maturity profile of the Group's derivative and non-derivative financial liabilities at the balance sheet date based on contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

£ Millions	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
Group					
At 31 December 2012					
Trade and other payables	11.1	_	_	_	11.1
Provision for deferred contingent consideration	_	_	1.5	_	1.5
Derivative financial instruments	0.2	_	_	_	0.2
Borrowings	7.3	7.4	_	_	14.7
Total	18.6	7.4	1.5		27.5

£ 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
Provision for deferred contingent 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

The Group 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 (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)

## f) Fair value measurements (continued)

The following table presents the assets and liabilities measured at fair value at 31 December 2012.

2012	Level 1	Level 2	Level 3	Total
£ Millions		'		
Assets				
Derivatives used for hedging	_	_*	_	_
Liabilities				
Derivatives used for hedging	_	(0.2)		(0.2)
2011	Level 1	Level 2	Level 3	Total
£ Millions				
Liabilities				
Derivatives used for hedging	_	(0.2)	_	(0.2)

<sup>\*</sup> 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 25 February 2013.

€′000	Note	2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents	4	856	588
Trade and other receivables	5	12,615	19,522
Other current assets	6	266	422
Inventories	8	5,363	6,183
Total current assets		19,100	26,715
Non-current assets			
Investments in subsidiaries	3	29,786	29,786
Property, plant and equipment	9	1,753	1,942
Intangible assets	10	1,791	1,233
Long term receivable	13	4,444	
Total non-current assets		37,774	32,961
Total assets		56,874	59,676
LIABILITIES			
Current liabilities			
Trade and other payables	12	8,743	6,785
Current income tax liabilities	14	1,015	1,325
Derivative financial instruments	7	184	157
Bank overdraft	15	2,565	9,209
Total current liabilities		12,507	17,476
Non-current liabilities			
Deferred income tax liabilities	11	233	152
Total non-current liabilities		233	152
Total liabilities		12,740	17,628
NET ASSETS		44,134	42,048
EQUITY			
Share capital	16	29,786	29,786
Hedging reserve	16	(214)	(49)
Translation reserve	16	(69)	485
Retained earnings	16	14,631	11,826
TOTAL EQUITY		44,134	42,048

For the financial year ended 31 December 2012

#### 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 manufacturing, 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	2012	2011
Cost at carrying value		
At 1 January	29,786	29,786
Additions	_	_
At 31 December	29,786	29,786

F	Place of			
Incorpo	ration/	Proportion of	Proportion of	
owners	ship (or	Ownership	Ownership	
regist	tration)	2012	2011	
Name of Subsidiary and op	eration	(%)	(%)	Auditor of subsidiaries
XP Power Plc	UK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited Sin	igapore	100	100	PricewaterhouseCoopers LLP

### 4. Cash and cash equivalents

£'000	2012	2011
Cash at bank	856	588
Total	856	588

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

	GBP	USD	EUR	SGD	JPY	DKK	NOK	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2012								
Cash at bank	13	67	586	134	4	30	22	856
	GBP	USD	EUR	SGD	JPY	DKK	NOK	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2011								
Cash at bank	1	298	246	14	_	29	_	588

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

## 5. Trade and other receivables

€'000	2012	2011
Trade receivables	1,656	2,210
Trade receivables from Group companies	10,959	17,312
Total	12,615	19,522

The average credit period taken on sales of goods is 43 days (2011: 36 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.

For the financial year ended 31 December 2012

### 6. Other current assets

€'000	2012	2011
Deposit	180	211
Other receivables and prepayments	86	211
Total	266	422

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 £6.6 million (2011: £1.7 million). These contracts are to hedge against exchange movements on future sales and qualify for hedge accounting.

As at 31 December 2012, the fair value liability of the currency forward contracts recognised under a hedging reserve is £214,000 (2011: £49,000) (Note 16).

Contract notional amount	Fair value (liability)
4,401	(214)
2,200	_
6,601	(214)
	notional amount 4,401 2,200

December 2011 <b>£'000</b>	Contract notional amount	Fair value (liability)
Current portion	1,749	(49)
Total	1,749	[49]

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	2012	2011
Contract notional amount	3,855	5,116
Fair value asset/(liability) of the contracts	30	(108)

## 8. Inventories

€'000	2012	2011
Goods for resale	5,363	6,183

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

## 9. Property, plant and equipment

£,000	Freehold land	Buildings	Plant and equipment	Motor vehicles	Building improvements	Total
Cost			oquipo	701110100	пристепнение	
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 1 January 2012	187	1,493	902	10	297	2,889
Additions	_	_	25	_	43	68
Disposals	_	_	(10)	_	_	(10)
Foreign currency translation	(7)	(56)	(34)	_	(11)	(108)
At 31 December 2012	180	1437	883	10	329	2,839
Depreciation						
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 1 January 2012	_	140	528	10	269	947
Charge for the year	_	43	117	_	22	182
Disposals	_	_	(8)	_	_	(8)
Foreign currency translation	_	(5)	(20)	_	(10)	(35)
At 31 December 2012	_	178	617	10	281	1,086
Carrying Amount						
At 31 December 2012	180	1,259	266		48	1,753
At 31 December 2011	187	1,353	374	_	28	1,942

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

## 10. Intangible assets

€'000	2012	2011
Cost		
Balance at 1 January	1,296	762
Additions	614	534
Balance at 31 December	1,910	1,296
Amortisation		
Balance at 1 January	63	20
Additions	56	43
Balance at 31 December	119	63
Carrying amount		
Balance at 31 December	1,791	1,233

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.

For the financial year ended 31 December 2012

### 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.

	Accelerated tax	Capitalised development	Other temporary	
£'000	depreciation	costs	differences	Total
At 1 January 2011	[48]	(41)	2	(87)
Charge to income	[1]	(55)	(9)	(65)
At 1 January 2012	[49]	(96)	(7)	(152)
Charge to income	10	(91)	_	(81)
Total	(39)	(187)	(7)	(233)

3)	(152)
3)	(152)
	_

## 12. Current liabilities

£'000	2012	2011
Trade payables and other creditors	4,581	4,755
Amount payable to Group companies	4,162	2,030
Total	8,743	6,785

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 an interest rate of 1.5% - 2.5% above LIBOR. The borrowing is repayable upon demand.

## 13. Long term receivable

€'000	2012	2011
Loan to related parties	4,444	_
Total	4,444	_

Loan to XP Power Vietnam is recoverable on demand and bears interest at LIBOR plus 1.5% per annum.

## 14. Current income tax liabilities

£'000	2012	2011
At 1 January 2012	1,325	948
Currency translation differences	(45)	(39)
Income tax paid	(1,287)	(915)
Current year tax expense	1,022	1,331
At 31 December 2012	1,015	1,325

## 15. Bank overdraft

€'000	2012	2011
Bank overdraft	2,565	9,209
Total	2,565	9,209

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

	GBP £'000	USD £'000	Total £'000
At 31 December 2012			
Bank overdraft	1,385	1,180	2,565
At 31 December 2011			
Bank overdraft	466	8,743	9,209

## 16. Share capital and reserves

## Share capital

£'000	2012	2011
Allotted and fully paid 19,242,296 ordinary shares	29,786	29,786

## **Retained earnings**

€'000	2012	2011
Balance at 1 January	11,826	7,192
Dividends paid	(8,931)	(7,391)
Profit for the year	11,736	12,025
Balance at 31 December	14,631	11,826

## Translation reserve

€'000	2012	2011
Balance at 1 January	485	447
Exchange differences on translation	(554)	38
Balance at 31 December	(69)	485

## **Hedging reserve**

€′000	2012	2011
Balance at 1 January	(49)	(246)
Fair value gains/(losses)	(165)	197
Balance at 31 December	(214)	(49)

For the financial year ended 31 December 2012

#### 17. Financial risk management

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

#### a) Capital risk

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

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

#### b) Currency risk

The Company operates in Asia, Europe and North America and its activities expose it to transactional risks resulting from changes in foreign currency exchange rates. The Company monitors and manages these transactional foreign exchange risks relating to the operations of the Company through internal reports analysing major currency exposures. Where possible the Company seeks to offset exposures by matching monetary asset and liability exposures in like currencies against each other often using its bank facilities to square off or reduce exposures. To manage the currency risk, the Company manages the overall currency exposure mainly through currency forwards. The Company's risk management policy is to hedge a portion of highly probable forecast sales transactions.

In addition the Company is exposed to translation risk when the results of its 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.

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

At 31 December 2012 £'000	GBP	EUR	USD	Others	Total
Financial Assets					
Cash and cash equivalents	13	586	67	190	856
Trade and other receivables	2	1,364	11,094	155	12,615
Other current assets	203	(65)	48	80	266
Long term receivables	_	_	4,444	_	4,444
Subtotal	218	1,885	15,653	425	18,181
Financial Liabilities					
Borrowings	(1,385)	_	(1,180)	_	(2,565)
Trade and other payables	(3,505)	195	(5,218)	(215)	(8,743)
Subtotal	(4,890)	195	(6,398)	(215)	(11,308)
Net financial (liabilities)/assets	(4,672)	2,080	9,255	210	6,873
Less: Currency forwards	3,855	6,601	_	_	10,456
Currency profile including non-financial assets and					
liabilities	(8,527)	(4,521)	9,255	210	(3,583)
Less: Financial (liabilities)/assets denominated in the					
respective entities' functional currencies	_		9,255		9,255
Currency exposure of financial (liabilities)/assets	(8,527)	(4,521)		210	(12,838)

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

At 31 December 2011 £'000 GBP **EUR** USD **Others** Total **Financial Assets** Cash and cash equivalents 246 298 43 588 1 121 Trade and other receivables 46 1,696 17,659 19,522 Other financial assets [110]99 213 220 422 Subtotal 1,832 18,177 20,532 260 263 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)[462] 1,669 4,886 4,538 3,165 3,700 Less: Currency forwards 6,865 Currency profile including non-financial assets and liabilities (5.255)[1.469] 4.886 [462] (2,327)Less: Financial (liabilities)/assets denominated in the respective entities' functional currencies 4,886 4,886 Currency exposure of financial (liabilities)/assets (5.255)[1,469][462] [7,213]

#### c) Interest rate risk

The Company borrows from subsidiaries at an 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.

### 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. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

€'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
At 31 December 2012					
Trade and other payables	8,743	_	_	_	8,743
Bank overdraft	2,565	_	_	_	2,565
Total	11,308	_	_	_	11,308

£'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
Bank overdraft	9,209	_	_	_	9,209
Total	15,994	_	_		15,994

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

For the financial year ended 31 December 2012

### 17. Financial risk management (continued)

## 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 2012.

£'000	Level 1	Level 2	Level 3	Total
2012				
Liabilities				
Derivatives used for hedging	_	(184)	_	(184)
€'000	Level 1	Level 2	Level 3	Total
<b>£'000</b> 2011	Level 1	Level 2	Level 3	Total
	Level 1	Level 2	Level 3	Total

	2012	2011	2010	2009	2008
	£ Millions				
Results					
Revenue	93.9	103.6	91.8	67.3	69.3
Profit from operations	21.0	25.3	19.7	9.6	9.3
Profit before tax	20.2	24.3	18.6	8.4	10.2
Assets employed					
Non-current assets	52.8	52.7	47.7	45.6	43.3
Current assets	39.3	46.9	43.1	26.9	35.6
Current liabilities	(20.2)	(28.2)	(32.0)	(15.8)	(22.7)
Non-current liabilities	(10.6)	(15.6)	[16.0]	(24.2)	(27.2)
Net assets	61.3	55.8	42.8	32.5	29.0
Financed by					
Equity	61.1	55.6	42.6	32.2	28.8
Non-controlling interests	0.2	0.2	0.2	0.3	0.2
	61.3	55.8	42.8	32.5	29.0
Key statistics (pence)					
Earnings per share	81.7	107.1	83.9	39.4	46.5
Diluted earnings per share	81.3	106.4	83.2	39.3	46.4
Diluted adjusted earnings per share	81.3	106.4	83.7	40.8	34.8
Share price in the year (pence)					
High	1,283.0	1,950.0	1,100.0	455.0	285.0
Low	805.0	870.0	418.5	115.8	121.0
	000.0	070.0	410.0	110.0	121



### **Company Brokers**

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### **Registrars**

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### **Company Secretary**

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### **Auditors**

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