30 July 2018

XP Power Limited
(“XP Power” or “the Group” or the “Company”)

Interim Results for the six months ended 30 June 2018

XP Power, one of the world's leading developers and manufacturers of critical power control solutions for the electronics industry, today announces its interim results for the six-month period ended 30 June 2018.

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Highlights		
Order intake	**£101.4m**	£93.4m
Revenue	**£93.2m**	£80.2m
Gross margin	**46.7%**	46.9%
Interim dividend per share (see Note 8)	**33.0p**	31.0p
Adjusted		
Adjusted operating margin[1]	**22.2%**	21.7%
Adjusted profit before income tax[1]	**£20.3m**	£17.3m
Adjusted profit attributable to equity holders[2]	**£16.3m**	£13.0m
Adjusted diluted earnings per share (see Note 9)[2]	**83.7p**	67.3p
Reported		
Operating margin	**20.3%**	18.1%
Profit before income tax	**£18.5m**	£14.4m
Profit attributable to equity holders	**£14.6m**	£10.9m
Diluted earnings per share	**74.9p**	56.4p

We assess the Group’s performance using various alternative performance measures which are not defined under IFRS. We use these to provide readers with additional useful information on the underlying trends and performance of the Group. Reconciliations of these measures can be found in Note 5 in the notes to the condensed consolidated financial statements.

[1]*Adjusted for £0.4 million for completed acquisition costs (1H 2017: £2.8 million of acquisition costs, both completed and aborted), intangibles amortisation of £1.0 million (excluding amortisation for development costs) (1H 2017: £0.1 million) and changes in accounting policy of £0.4 million (1H 2017: nil)*

[2]*Adjusted for £0.4 million for completed acquisition costs (1H 2017: £2.8 million of acquisition costs, both completed and aborted), intangibles amortisation of £1.0 million (excluding amortisation for development costs) (1H 2017: £0.1 million), non-recurring tax benefits of £0.1 million (1H 2017: £0.8 million) and changes in accounting policy of £0.4 million (1H 2017: nil).*

- Strong first half performance, with continued momentum in orders and revenues as new design wins enter production, and our global capital equipment markets currently buoyant

- Order intake increased by 9% to £101.4 million (+17% in constant currency and 10% on a like-for-like basis in constant currency)

- Revenue increased by 16% to £93.2 million (+25% increase in constant currency and 13% on a like-for-like basis in constant currency)

- Own-design XP product revenues increased 20% on a reported basis to a record £72.6 million (1H 2017: £60.5 million), and now represent 78% of total revenues (1H 2017: 75%)

- Supply chain exhibiting lead time extension and cost inflation on certain components – while XP's safety stocks have largely insulated the Group and its customers from these shortages to date, inflation is generating minor margin pressure and building stocks has increased the working capital associated with inventory

- Acquisition of Glassman HV in May 2018 for US$44.5m adds a highly complementary product set of High Voltage, High Power products to the Group portfolio, expanding our addressable market significantly

- Construction of second manufacturing facility in Vietnam on track to complete by Q4 2018, with production scheduled to come on stream in the first half of 2019

- Dividend for the first half of 2018 of 33.0 pence per share (1H 2017: 31.0 pence per share) up 6%

- Overall momentum has continued to build in the business with a book to bill in 1H of 1.09 (1H 2017 1.16) and the Group entered the second half with a strong order book of £85.5 million (December 2017: £80.3 million).

James Peters, Chairman, commented:

"The Group has had a strong first half. Reported order intake and revenue performance for the first six months of 2018 were robust more than offsetting the impact of Sterling appreciation. The performance was a result of continuing new design wins entering their production phase and the continued buoyancy of our customers' markets."

Our strong performance is enabling us to invest part of the cash generated from this revenue growth to expand our engineering capabilities by acquisition. The acquisition of Glassman High Voltage in May 2018 added market leading High Power High Voltage products to the XP portfolio' further increasing our addressable market.

While we remain conscious of potential risks arising from component cost inflation and, macroeconomic challenges, our strong order book, combined with design wins over recent years entering production, means that the Board continues to anticipate that the Group's performance for the full year will be in line with its existing expectations."

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Note to editors

XP Power designs and manufactures power controllers, the essential hardware component in every piece of electrical equipment that converts power from the electricity grid into the right form for equipment to function.

XP Power typically designs power control solutions into the end products of major blue-chip OEMs, with a focus on the industrial (circa 42% of sales), healthcare (circa 22% of sales), semiconductor manufacturing (circa 26% of sales) and technology (circa 10% of sales) sectors. Once designed into a programme, XP Power has a revenue annuity over the life cycle of the customer's product which is typically 5 to 7 years depending on the industry sector.

XP Power has invested in research and development and its own manufacturing facilities in China and Vietnam, to develop a range of tailored products based on its own intellectual property that provide its customers with significantly improved functionality and efficiency.

Headquartered in Singapore and listed on the Main Market of the London Stock Exchange since 2000, XP Power serves a global blue-chip customer base from 29 locations in Europe, North America and Asia.

For further information, please visit xppower.com

30 July 2018

XP Power Limited
(“XP”, “XP Power” or “the Group”)

Interim Results for the six months ended 30 June 2018

INTERIM STATEMENT

Overview

The Group has had a good first half of 2018. Our reported order intake, revenues and earnings for the first six months of 2018 were comfortably ahead of the equivalent period in 2017, offsetting the impact of Sterling appreciation year on year. The Group benefited from the continued momentum in the capital equipment markets and, significantly, new design wins entering their production phase. The resulting solid growth in earnings and cashflow generation, and our confidence in the Group’s outlook, support a further increase in the dividend.

We have continued to execute well against our strategy and are benefiting from the positive effect of design wins from our newer product introductions and our increased focus on engineering solutions which is providing more value to our customers. The successful implementation of our strategy continues to drive market share gains and we are encouraged both by the strength of our order book and our continued new programme wins. Our strong performance is enabling us to invest part of the cash generated from this revenue growth to expand our product offering and engineering capabilities by acquisition to enhance our future growth. Our acquisition of Glassman High Voltage in May 2018 is the latest step in this strategy and we are excited about its potential within the enlarged Group. We now have an enviable product portfolio of over 250 product families from low voltage to 500 kilo Volts at power levels up to 200 kilo Watts. This combined with our excellent customer support makes us the ideal choice as a power solutions provider to our target customers to power their critical systems.

Our strategy and value proposition

The Group has applied a consistent strategy of moving up the value chain and our growth derives in part from the targeting of key account customers. Once we are approved to supply these larger customers, we have a strong track record of successfully gaining a larger share of their business. We also continue to expand the breadth of our product portfolio, both organically and by acquisition, in what remains a highly fragmented sector, therefore enabling us to increase our addressable market. Since the end of 2015 we have completed three acquisitions which have allowed us to expand into the high voltage and radio frequency (RF) power market sectors increasing our addressable market by circa $2.0Bn (75%).

Our value proposition to customers is to reduce their overall costs of design, manufacture and operation. We achieve this by providing excellent sales engineering support and producing new highly reliable products that are easy to design into the customer’s system, consume less power, take up less space and reduce installation times.

Our vision is to be the first-choice power solutions provider, delivering the ultimate experience for our customers and as a place of work for our people.

Acquisitions

On 25 May 2018, XP Power acquired the assets and business of Glassman High Voltage, a company based in Highbridge, New Jersey, USA, specialising in High Voltage High Power (HVHP) conversion products which it supplies to the industrial and technology sectors. Total consideration of US$44.5 million (£33.4 million) was paid in cash on completion. Revenue recognised in the period from completion to the 30 June 2018 was £1.2 million and net profit of £0.3 million in line with expectations.

HVHP is generally used in applications involved in the ionisation and acceleration of particles. Typical applications include semiconductor manufacturing equipment, vacuum/plasma processing, analytical instrumentation, medical diagnostics and test equipment. Glassman has the most comprehensive standard product portfolio in its sector, with the capabilities to provide customer specific power solutions and an excellent reputation for quality and reliability.

Comdel was acquired in September 2017, allowing the Group to enter the radio frequency (RF) power market. RF products are used in a number of semiconductor manufacturing processes, medical applications and various induction and dielectrical heating and welding applications. The business is performing in line with expectations and revenue recognised in the 6 month period to the 30 June 2018 was £7.6 million and net profit of £1.7 million.

Glassman, Comdel and XP Power share several customers, and while there is no direct overlap in product lines, the power supply solutions of these recently acquired companies are highly complementary. Both Glassman and Comdel enhance the Group's ability to implement its strategy of winning a greater share of business from its target customers by achieving wider vertical penetration of their accounts. As well as a product offering suitable for an array of applications used by some of XP Power's existing customer base, Glassman and Comdel also bring a number of new customers to the Group.

These acquisitions will enable XP Power to provide its existing customers with a comprehensive product offering in RF power generation and RF matching systems, and now high power, high voltage products. These are both product segments with robust demand fundamentals and areas in which we did not previously operate.

Our key customers can now come to one power solutions provider for all their power requirements, providing better service and allowing them to reduce their vendor base and costs.

Advisory and acquisition costs in the period were £0.4 million (1H 2017: £2.8 million acquisition costs, both completed and aborted).

Trading and Financial Review

XP Power supplies power control solutions to original equipment manufacturers ("OEMs") who supply the healthcare, industrial, semiconductor manufacturing and technology markets with high value, high reliability products. 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 and semiconductor devices, have established a strong foundation for growth in demand for XP Power's products.

Order intake of £101.4 million (1H 2017: £93.4 million) was up 9% on a reported basis (17% in constant currency and 10% on a like-for-like and constant currency basis) and set another new record for the Group. The average US Dollar to Sterling exchange rate was 1.26 in the first half of 2017 compared with 1.39 in the first half of 2018 representing a 10% strengthening of Sterling. Given the majority of the Group's revenues are earned in US Dollars this decreased the reported order intake in the first half by approximately £7.1 million, or 9%, compared to the first half of 2017. In US Dollar terms, compared to the same period a year ago, Asia increased by 1%, Europe increased by 11% and North America increased by 44% (22% organic).

Order intake in the first half of 2018 exceeded revenues with a resultant book-to-bill ratio of 1.09 (1H 2017: 1.16). Overall momentum has continued to build in the business and we enter the second half of the current year with a strong order book of £85.5 million (December 2017: £80.3 million).

Reported revenues grew 16% to £93.2 million in the six months to 30 June 2018 compared to £80.2 million in the same period a year ago. When adjusting to constant currency the underlying growth was 25% or 13% on a like-for-like and a constant currency basis.

Revenues in North America were US$79.0 million (1H 2017: US$54.9 million), up 44% compared to the same period a year ago. Excluding revenues from the acquired Comdel and Glassman businesses of US$12.0 million, the organic growth rate was 22%, reflecting, in particular, the strong performance of the semiconductor equipment market. Revenues in Europe were US$41.1 million (1H 2017: US$37.0 million), up 11% on the same period a year ago (approximately half the European revenues are denominated in US Dollars). Revenues in Asia were US$9.0 million (1H 2017: US$8.9 million), up 1% compared with the same period a year ago.

Given the growing significance of the semiconductor manufacturing sector to the Group results and the favourable long term fundamentals of this market we have decided to disclose our revenues from this sector separately within our segmental reporting for the first time. All sectors remain buoyant suggesting that the broad recovery we have seen in capital equipment markets in 2017 is continuing into 2018.

On a sector basis, revenues from healthcare customers grew by 14% to US$28.0 million (1H 2017: US$24.6 million). Revenues from industrial customers increased by 10% to US$54.1 million (1H 2017: US$49.2 million). Revenues from technology customers grew 13% to US$12.4 million (1H 2017: US$11.0 million). Revenues from semiconductor manufacturing customers increased by 115% to US$34.6 million (1H 2017: US$16.1 million). The acquisitions of Comdel and Glassman contributed US$8.6 million to 2018 semiconductor manufacturing revenues so the organic growth rate of the semiconductor manufacturing sector was 68%. This robust organic growth rate was underpinned by a number of new programme wins by our engineering solutions group entering into production, expanding our market share. Notwithstanding this performance our market share remains very low in this attractive segment, highlighting the future growth opportunity. The semiconductor manufacturing sector has highly attractive growth prospects which are being driven by the growth of big data, augmented intelligence and the internet of things.

XP Power’s expansion of its capabilities into higher voltages, higher power and RF power have made us an attractive power solutions provider to the many healthcare and semiconductor manufacturers who use these type of products and value our engineering solutions capability.

In terms of overall revenue for the first half of 2018, industrial represented 42% (1H 2017: 49%), technology represented 10% (1H 2017: 11%), healthcare represented 22% (1H 2017: 24%) and semiconductor manufacturing represented 26% (1H 2017: 16%).

Our customer base remains highly diversified with the largest customer accounting for only 16% of revenue, spread over 140 different programmes/part numbers.

Margins

Gross margin in the first half of 2018 was 46.7% (1H 2017: 46.9%). Against a background of buoyant market conditions, we are now seeing some shortages of components together with component price inflation. To date our safety stocks have largely insulated us and our customers from these shortages but this caused a minor margin decline in the first half of 2018, although this was partially offset by the effect of strengthening Sterling. We are continuing to manage our component inventory tightly, building in a sufficient margin of safety stock on critical lines wherever possible in order to support our customers.

As Sterling strengthens, our reported revenues decrease due to translation but so do our cost of sales although at a greater rate as a higher proportion of the cost of sales are non-Sterling denominated than our revenues. The result is lower gross margins in absolute terms but the gross margin percentage increases. The average exchange rate for converting US Dollars into Sterling in the period was 1.39 in the first half of 2018 (1H 2017: 1.26); a strengthening of 10%. We also have revenues in Euro with costs in US Dollars. The average exchange rate for converting Euro into Sterling in the period was 1.14 in the first half of 2018 (1H 2017: 1.17); a 3% weakening of Sterling. We estimate that the effect of a stronger Sterling increased the gross margin percentage by 170 basis points.

Operating expenses in the first half were £23.2 million (1H 2017: £20.2 million) after deducting £1.0 million of intangibles amortisation (1H 2017: £0.1 million) and £0.4 million of advisory and acquisition costs (1H 2017: £2.8 million of acquisition costs, both completed and aborted). Again, there is a significant translation effect from the strengthening of Sterling versus the US Dollar comparing the first half of 2018 with the first half of 2017. We estimate that this translation effect decreased reported operating expenses by approximately £1.9 million. In addition, we had the full period cost impact of operating expenses of Comdel, and those from Glassman from late May 2018, which totalled £1.3 million.

We are engaging in ever more complicated programmes with many of our key customers. These customers value XP Power's engineering solutions and power conversion expertise to get their products to market more quickly and solve their power-related challenges. Systems are becoming more complex and there is increasing demand for power conversion solutions that communicate with both the customers' applications and with the outside world as the concept of an Internet of Things promulgates. This area of the market allows us to add more value to our customers' engineering teams and is less crowded with low cost Asian competition. As such, we continue to reinvest part of the cash returns generated from our growth to fund further expansion of our engineering capabilities, particularly our engineering solutions groups in Asia, Europe and North America.

Gross product development spend was £6.6 million (1H 2017: £5.5 million), £2.8 million of which was capitalised (1H 2017: £2.0 million), and £1.4 million amortised (1H 2017: £1.2 million). We will continue to invest in engineering resources to drive future revenue growth.

Notwithstanding our investment in additional customer support and engineering resources, we continue to achieve an adjusted operating margin of 22.2% (1H 2017: 21.7%) highlighting the strength of our business model.

Taxation

The tax charge for the period was £3.8 million (1H 2017: £3.2 million) which represents an effective tax rate of 20.5% (1H 2017: 22.2%) following the impact of the Tax Cuts and Jobs Act in the United States. We have used an effective tax rate of 18.7% to compute the adjusted earnings per share.

We currently expect our future tax rate to be in the range of 17% to 19% depending on the geographic distribution of our future profits.

Financial Position

Class-leading gross and operating margins and modest capital requirements continue resulting in strong performance. The impact the abovementioned supply chain dynamic has resulted in increased level of working capital particularly inventories. After payment of the 2017 final dividend and the £33.4 million cash consideration for the Glassman acquisition our net debt was £46.5 million at 30 June 2018. This compares with net debt of £9.0 million at 31 December 2017 and net cash of £8.0 million at 30 June 2017.

Product Development

New products are fundamental to our revenue growth. The broader our product offering, the more opportunity we have to increase revenues by expanding our available market. As expected, the significant number of new product families introduced over the last three years has yet to have a material impact on our revenues, given the time lag from launch to production. This is due to the lengthy design-in cycles required by our customers to qualify the power converter in their equipment, as well as by the requirement to gain the necessary safety agency approvals.

XP launched 12 new product families in the first half of 2018 (1H 2017: 14). We continue to lead our industry on the introduction of high efficiency, “green” products, with 11 of those new products released in the first half of 2018 having high efficiency and/or low stand-by power.

Revenue from own-design products was £72.6 million (1H 2017: £60.5 million) and now represents 78% of total revenue (1H 2017: 75%).

With larger customers continuing to reduce the number of vendors they deal with, XP Power’s broad product offering, excellent global engineering support, in-house manufacturing capability and industry-leading environmental credentials leave the Group well-placed to secure further preferred supplier agreements. The addition of RF power and high voltage/high power products to our range via the acquisitions of Comdel and Glassman further enhances this proposition.

Manufacturing Progress

XP Power’s move into manufacturing in 2006 has been instrumental in enabling the Group to win approved and preferred supplier status with new Blue-Chip customers who value suppliers that have complete control over their supply chain and product manufacture to ensure the highest levels of quality and agility.

To supplement our original Chinese manufacturing facility in Kunshan near Shanghai, our Vietnamese manufacturing facility, located in Ho Chi Minh City, began production of its first magnetic components in March 2012 and is now producing the majority of the Group’s magnetics.

Producing our own magnetic components in Vietnam is helping us mitigate the rise of Chinese labour costs. In addition, extending vertical integration to the critical magnetic components used in power converters is seen as an additional value proposition by many of our customers, notably in the healthcare and high reliability industrial sectors.

In the fourth quarter of 2014 we began production of the first complete power converters in Vietnam. We now have 282 (1H 2017: 259) part numbers approved for production in Vietnam with more in the pipeline. XP manufactured 716,900 (1H 2017: 693,000) power converters in total during the first half of 2018 and 504,800 (1H 2017: 416,000) of these were produced in Vietnam. We expect the proportion of power converters produced in Vietnam to increase further as we transfer more products to that facility. Kunshan will focus on the higher power, higher complexity products.

In October 2017 we commenced construction of a second factory on our existing site in Vietnam. We expect construction to be completed by the fourth quarter of this year, with production scheduled to come on stream in the first half of 2019. We estimate that our existing Asian manufacturing facilities have the capacity to produce approximately US$170 million of end revenue of our own manufactured products. The second facility in Vietnam will add an additional capability of approximately US$130 million of revenue.

We estimate the cost of the Vietnam II building and the initial equipment set to be approximately US$6.5 million of which US$1.5 million has been incurred to date.

Dividend

The Company makes quarterly dividend payments. Our strong cash flow and confidence in the Group's prospects have enabled us to increase total dividends for the first half by 6% to 33.0 pence per share (1H 2017: 31.0 pence per share).

The first quarter dividend payment of 16.0 pence per share was made on 11 July 2018. The second quarter dividend of 17.0 pence per share will be paid on 11 October 2018 to shareholders on the register at 14 September 2018.

The compound average growth rate in dividends over the last 10 years has been 13%.

Brexit and the impact of Tariff changes

The Group is monitoring the progress on Brexit negotiations and has plans in place to ensure continued effective operations in the event of any conceivable scenario. We are also tracking the ongoing Global Tariff movements and the impact they may have on both components and finished power supplies; at this stage the impact is envisaged to be minimal. In the event that either Brexit or Tariff changes do impact the business or operations the Group will take actions to address.

Environmental Impact and "Green XP Power" products

XP Power has placed improved environmental performance at the heart of its operations both in terms of minimising the impact its activities have on the environment and, as importantly, in its product development strategy.

We have developed a class-leading portfolio of green products with efficiencies up to 95% and many of these products also have low stand-by power (a feature to reduce the power consumed while the end equipment is not operational but in stand-by mode). Revenues for these ultra-high efficiency "Green XP Power" products continue to grow and are up by 5% on a reported basis to £19.7 million (1H 2017: £18.8 million) representing 21% of total revenue (1H 2017: 23%). The RF power products added to our portfolio as a result of the acquisition of Comdel are not classified as "Green XP Power" products.

Outlook

We have made a strong start to 2018, with the momentum of 2017 continuing into the first half of the current year. Our book-to-bill ratio in the first half of 2018 was robust at 1.09 and customer open order books totalled £85.5 million at the period end. We are confident that our new product releases and design wins, particularly from our engineering solutions groups, will support our revenue growth. While we remain mindful of potential risks arising from inflationary pressure in component prices and, global macroeconomic challenges, the Board expects the Group's performance for the full year will be in line with its existing expectations.

The acquisitions of Comdel and Glassman have dramatically expanded the Group's product portfolio and we are now able to offer a full suite of products across low power, high power and radio frequency. Our expanded capability leaves the Group well placed to take a larger share of the business available at our key accounts where we already have approved or preferred status, in line with our strategy.

We believe we are well along the path to achieving our vision of becoming the first choice power solutions provider to our existing and target customer base.

Independent review report to XP Power Limited
Report on review of interim financial information

Introduction
We have reviewed the accompanying condensed consolidated financial information of XP Power Limited ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 32, which comprise the condensed consolidated balance sheet of the Group as at 30 June 2018, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended and the related notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report, which comprise the "Interim Results" set out on pages 1 to 3, "Interim Statement" set out on pages 4 to 9 and "Risks and uncertainties" set out on pages 33 to 34, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore,
30 July 2018

XP Power Limited
Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

£ Millions	Note	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Revenue	5	**93.2**	80.2
Cost of sales	6	**(49.7)**	(42.6)
Gross profit		**43.5**	37.6
Expenses			
Distribution and marketing	6	**(18.3)**	(15.0)
Administrative	6	**(1.1)**	(3.4)
Research and development	6	**(5.2)**	(4.7)
Operating profit		**18.9**	14.5
Finance charge	6	**(0.4)**	(0.1)
Profit before income tax		**18.5**	14.4
Income tax expense	7	**(3.8)**	(3.2)
Profit after income tax		**14.7**	11.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		**0.5**	(0.6)
Exchange differences on translation of foreign operations		**1.3**	(0.9)
Other comprehensive income/(loss), net of tax		**1.8**	(1.5)
Total comprehensive income		**16.5**	9.7
Profit attributable to:			
- Equity holders of the Company		**14.6**	10.9
- Non-controlling interests		**0.1**	0.3
		14.7	11.2
Total comprehensive income attributable to:			
- Equity holders of the Company		**16.3**	9.4
- Non-controlling interests		**0.2**	0.3
		16.5	9.7
Earnings per share attributable to equity holders of the Company		**Pence per Share**	Pence per Share
Basic	9	**76.4**	57.2
Diluted	9	**74.9**	56.4

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

XP Power Limited
Condensed Consolidated Balance Sheet
As at 30 June 2018

£ Millions	Note	At 30 June 2018 (Unaudited)	At 31 December 2017	At 30 June 2017 (Unaudited)
ASSETS				
Current assets				
Corporate tax recoverable		**2.5**	2.9	-
Cash and cash equivalents	11	**12.1**	15.0	11.3
Inventories		**50.6**	37.8	33.0
Trade receivables		**30.0**	23.8	23.2
Other current assets		**5.2**	3.8	2.3
Derivative financial instruments		**0.3**	0.2	-
Total current assets		**100.7**	83.5	69.8
Non-current assets				
Goodwill		**56.4**	40.4	37.5
Intangible assets	10	**35.9**	23.5	15.9
Property, plant and equipment		**27.9**	22.5	19.5
Deferred income tax assets		**1.4**	1.4	0.4
ESOP loans to employees		**0.2**	0.3	0.4
Total non-current assets		**121.8**	88.1	73.7
Total assets		**222.5**	171.6	143.5
LIABILITIES				
Current liabilities				
Current income tax liabilities		**4.1**	3.5	3.1
Trade and other payables		**28.0**	21.4	22.2
Borrowings	12	-	-	3.3
Derivative financial instruments		**0.2**	0.2	0.1
Total current liabilities		**32.3**	25.1	28.7
Non-current liabilities				
Accrued consideration		**1.6**	1.4	1.5
Borrowings	12	**58.6**	24.0	-
Deferred income tax liabilities		**4.6**	4.2	4.6
Total non-current liabilities		**64.8**	29.6	6.1
Total liabilities		**97.1**	54.7	34.8
NET ASSETS		**125.4**	116.9	108.7
EQUITY				
Equity attributable to equity holders of the Company				
Share capital		**27.2**	27.2	27.2
Merger reserve		**0.2**	0.2	0.2
Treasury shares		**1.4**	0.4	0.1
Hedging reserve		**0.3**	(0.2)	(0.3)
Translation reserve		**0.8**	(0.4)	2.6
Other reserve		**(0.8)**	(0.8)	-
Retained earnings		**95.4**	89.6	78.0
		124.5	116.0	107.8
Non-controlling interests		**0.9**	0.9	0.9
TOTAL EQUITY		**125.4**	116.9	108.7

The above condensed consolidated balance sheet should be read in conjunction with the accompany notes.

XP Power Limited
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

£ Millions

	Note	Share capital	Treasury shares	Merger reserve	Hedging reserve	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total Equity
		Attributable to equity holders of the Company									
Balance at 1 January 2017		27.2	(0.5)	0.2	0.3	3.5	-	75.4	106.1	0.8	106.9
Sale of treasury shares		-	0.7	-	-	-	-	(0.3)	0.4	-	0.4
Purchase of treasury shares		-	(0.2)	-	-	-	-	-	(0.2)	-	(0.2)
Share-based expenses		-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid		-	-	-	-	-	-	(8.0)	(8.0)	(0.2)	(8.2)
Total comprehensive income for the period		-	-	-	(0.6)	(0.9)	-	10.9	9.4	0.3	9.7
Balance at 30 June 2017 (unaudited)		**27.2**	**0.1**	**0.2**	**(0.3)**	**2.6**	**-**	**78.0**	**107.8**	**0.9**	**108.7**
Balance at 1 January 2018		27.2	0.4	0.2	(0.2)	(0.4)	(0.8)	89.6	116.0	0.9	116.9
Changes in accounting policy	15	-	-	-	-	-	-	0.4	0.4	-	0.4
Restated total equity as at 1 January 2018 (unaudited)		27.2	0.4	0.2	(0.2)	(0.4)	(0.8)	90.0	116.4	0.9	117.3
Sale of treasury shares		-	0.7	-	-	-	-	(0.2)	0.5	-	0.5
Share-based expenses		-	0.3	-	-	-	-	-	0.3	-	0.3
Dividends paid		-	-	-	-	-	-	(9.0)	(9.0)	(0.2)	(9.2)
Exchange difference arising from translation of financial statements of foreign operations		-	-	-	-	1.2	-	-	1.2	0.1	1.3
Net change in cash flow hedges		-	-	-	0.5	-	-	-	0.5	-	0.5
Profit for the year		-	-	-	-	-	-	14.6	14.6	0.1	14.7
Total comprehensive income for the period		**-**	**-**	**-**	**0.5**	**1.2**	**-**	**14.6**	**16.3**	**0.2**	**16.5**
Balance at 30 June 2018 (unaudited)		**27.2**	**1.4**	**0.2**	**0.3**	**0.8**	**(0.8)**	**95.4**	**124.5**	**0.9**	**125.4**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompany notes.

XP Power Limited
Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

£ Millions	Note	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Cash flows from operating activities			
Profit after income tax		**14.7**	11.2
Adjustments for:			
- Income tax expense		**3.8**	3.2
- Amortisation and depreciation		**3.9**	2.6
- Finance charge		**0.4**	0.1
- Equity award charges, net of tax		**0.3**	0.1
- Fair value loss/(gain) on derivative financial instruments		**0.4**	(0.6)
- Unrealised currency translation loss/(gain)		**0.7**	(0.4)
Change in the working capital, net of effects from acquisitions:			
- Inventories		**(10.1)**	(0.8)
- Trade and other receivables		**(4.5)**	(1.7)
- Trade and other payables		**6.1**	6.1
- Provision for liabilities and other charges		**0.1**	-
Cash generated from operations		**15.8**	19.8
Income tax paid		**(2.4)**	(3.4)
Net cash provided by operating activities		**13.4**	16.4
Cash flows from investing activities			
Acquisition of a business and subsidiary, net of cash acquired	13 (b)	**(35.6)**	-
Purchases and construction of property, plant and equipment		**(2.8)**	(2.0)
Capitalisation of research and development expenditure	6	**(2.8)**	(2.0)
Repayment of ESOP loan		**0.1**	0.3
Payment of accrued consideration		**-**	(0.5)
Net cash used in investing activities		**(41.1)**	(4.2)
Cash flows from financing activities			
Proceeds from borrowings		**37.3**	-
Repayment of borrowings		**(3.5)**	(2.7)
Sale of treasury shares		**0.7**	0.7
Purchase of treasury shares by ESOP		**-**	(0.2)
Interest paid		**(0.4)**	-
Dividends paid to equity holders of the Company		**(9.0)**	(8.0)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Net cash provided by/(used in) financing activities		**24.9**	(10.4)
Net (decrease)/increase in cash and cash equivalents		**(2.8)**	1.8
Cash and cash equivalents at beginning of financial period		**15.0**	9.2
Effects of currency translation on cash and cash equivalents		**(0.1)**	(0.3)
Cash and cash equivalents at end of financial period	11	**12.1**	10.7

£ Millions	Note	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Reconciliation of changes in cash and cash equivalents to movement in net (debt)/cash			
Net (decrease)/increase in cash and cash equivalents		**(2.8)**	1.8
Proceeds from borrowings		**(37.3)**	-
Repayment of borrowings		**3.5**	2.7
Effects of currency translation		**(0.9)**	(0.2)
Movement in net (debt)/cash		**(37.5)**	4.3
Net (debt)/cash at beginning of financial period		**(9.0)**	3.7
Net (debt)/cash at end of financial period		**(46.5)**	8.0

Reconciliation of liabilities arising from financing activities
£ Millions

	1 January 2018	**Principal and interest payments**	**Proceeds from borrowings**	**Non-cash changes**			**30 June 2018**
				Acquisition	**Interest expense**	**Foreign exchange movement**	
Bank borrowings	24.0	(3.9)	37.3	-	0.4	0.8	58.6

The above condensed consolidated statement of cash flows should be read in conjunction with the accompany notes.

XP Power Limited
Notes to the condensed consolidated financial statements

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 is to provide power supply solutions to the electronics industry.

These condensed consolidated interim financial statements are presented in Pounds Sterling (GBP).

2. Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

3. Going Concern

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

4. Accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the fair value of derivatives in accordance with IFRS 9 *Financial Instruments*.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the presentation of the Group's financial statements for the year ended 31 December 2017 except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make modified retrospective adjustments as a result of adopting the following standards;

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 15. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

5. Segmented and revenue information

The Group operates substantially in one class of business, the provision of power control solutions to the electronics industry. Analysis of total Group operating profit, total assets, total revenue and total Group profit before taxation by geographical region is set out below.

Total Revenue

Six months ended 30 June 2018
£ Millions

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing	**0.2**	**24.2**	**0.5**	**24.9**
Technology	**2.9**	**5.6**	**0.5**	**9.0**
Industrial	**21.0**	**14.0**	**4.1**	**39.1**
Healthcare	**5.6**	**13.2**	**1.4**	**20.2**
	29.7	**57.0**	**6.5**	**93.2**
Major goods/service lines				
AC-DC Power Supplies	**24.0**	**42.2**	**5.2**	**71.4**
DC-DC Supplies	**4.6**	**3.1**	**0.5**	**8.2**
High Voltage Low Power	**0.9**	**3.1**	**0.6**	**4.6**
High Voltage High Power	**0.1**	**1.0**	**-**	**1.1**
RF Power Supplies	**-**	**7.6**	**-**	**7.6**
Others	**0.1**	**-**	**0.2**	**0.3**
	29.7	**57.0**	**6.5**	**93.2**

Six months ended 30 June 2017
£ Millions

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing	0.1	11.8	0.9	12.8
Technology	3.3	3.7	1.7	8.7
Industrial	21.5	15.3	2.3	39.1
Healthcare	4.5	12.9	2.2	19.6
	29.4	43.7	7.1	80.2
Major goods/service lines				
AC-DC Power Supplies	23.7	36.5	5.6	65.8
DC-DC Supplies	4.8	2.6	0.7	8.1
High Voltage Low Power	0.7	4.2	0.3	5.2
High Voltage High Power	-	-	-	-
RF Power Supplies	-	-	-	-
Others	0.2	0.4	0.5	1.1
	29.4	43.7	7.1	80.2

5. Segmented and revenue information (continued)

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Total assets		
Europe	**29.8**	29.0
North America	**118.6**	58.0
Asia	**70.2**	56.1
Segment assets	**218.6**	143.1
Unallocated deferred and current income tax	**3.9**	0.4
Total assets	**222.5**	143.5

Reconciliation of operating profit by segment to profit after income tax:

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Europe	**8.2**	7.7
North America	**16.0**	14.5
Asia	**1.8**	1.1
Operating profit by segment	**26.0**	23.3
Research and development	**(5.2)**	(4.7)
Finance charge	**(0.4)**	(0.1)
Corporate recovery from operating segment	**(1.9)**	(4.1)
Profit before income tax	**18.5**	14.4
Income tax expense	**(3.8)**	(3.2)
Profit after income tax	**14.7**	11.2

The Group operates in the following regions and countries:

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Revenue		
North America	**57.0**	43.7
United Kingdom	**14.7**	15.0
Singapore	**5.7**	6.0
Germany	**7.5**	6.6
Switzerland	**1.3**	1.5
Other countries	**7.0**	7.4
Total revenue	**93.2**	80.2

There is one external customer (2017: one) that represents 10% or more of the Group's total revenue. Revenues of £15.0 million (2017: £8.0 million) are derived from that customer. These revenues are attributable to the semiconductor manufacturing segment.

5. Segmented and revenue information (continued)

Reconciliation of adjusted measures

The Group presents adjusted operating profit and adjusted profit before tax by making adjustments for costs and profits which management believes to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. Such items may include, but are not limited to, costs associated with business combinations, gains and losses on the disposal of businesses, fair value movements, exceptional operating costs, and amortisation of intangible assets arising on business combinations. Exceptional operating costs include reorganisation costs, acquisition related charges and similar items of a significant and a non-recurring nature.

In addition, the Group presents an adjusted profit after tax measure by making adjustments for certain tax charges and credits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect.

The Group uses these adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting. See below for a reconciliation of operating profit to adjusted operating profit and a reconciliation of profit before tax to adjusted profit before tax

(i) A reconciliation of operating profit to adjusted operating profit is as follows:

£ Millions	**2018**	2017
Operating Profit	**18.9**	14.5
Adjusted for:		
Acquisition costs	**0.4**	2.8
Amortisation of intangible assets	**1.0**	0.1
Changes in accounting policy	**0.4**	-
	1.8	2.9
Adjusted Operating Profit	**20.7**	17.4
Adjusted Operating Margin	**22.2%**	21.7%

(ii) A reconciliation of profit before income tax to adjusted profit before tax is as follows:

Profit before income tax ("PBT")	**18.5**	14.4
Adjusted for:		
Acquisition costs	**0.4**	2.8
Amortisation of intangible assets	**1.0**	0.1
Changes in accounting policy	**0.4**	-
	1.8	2.9
Adjusted PBT	**20.3**	17.3

6. Expenses by nature

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Profit for the period is after charging/(crediting):		
Amortisation of intangible assets	**2.4**	1.3
Depreciation of property, plant and equipment	**1.5**	1.3
Foreign exchange loss/(gain)	**0.3**	(0.4)
(Gain)/loss on foreign exchange forwards	**(0.2)**	0.2
Raw materials and inventories used	**29.3**	36.9
Changes in inventories	**12.8**	0.8
Fee payable to the Group's auditor for audit of the Group's accounts	**0.2**	0.2
Tax fees payable to other firms for services provided to the Group	**0.1**	-
Rent/lease expense	**0.8**	0.8
Finance charge	**0.4**	0.1
Other charges	**27.1**	24.6
Total	**74.7**	65.8

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

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Gross research and development expenditure	**6.6**	5.5
Capitalisation of research and development expenditure	**(2.8)**	(2.0)
Amortisation of development expenditure capitalised	**1.4**	1.2
Net research and development expenditure	**5.2**	4.7

7. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year. The estimated effective annual tax rate used for 2018 is 20.5% (2017: 22.2%).

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Singapore corporation tax	**2.2**	2.2
Overseas corporation tax	**1.6**	1.0
Total taxation	**3.8**	3.2

8. Dividends

Amounts recognised as distributions to equity holders of the Company in the period:

	Six months ended 30 June 2018 (Unaudited)		Six months ended 30 June 2017 (Unaudited)	
	Pence per share	**£ Millions**	**Pence per share**	**£ Millions**
Prior year 3rd quarter dividend paid	**18.0**	**3.4**	16.0	3.0
Prior year final dividend paid	**29.0**	**5.6**	26.0	5.0
Total	**47.0**	**9.0**	42.0	8.0

The dividends paid recognised in the interim financial statements relate to the third quarter and final dividends for 2017.

The first quarterly dividend of 16.0 pence per share (2017: 15.0 pence per share) was paid on 11 July 2018. A second quarterly dividend of 17.0 pence per share (2017: 16.0 pence per share) will be paid on 11 October 2018 to shareholders on the register at 14 September 2018.

9. Earnings per share

Earnings per share attributable to equity holders of the company arise from continuing operations as follows:

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the company)	**14.6**	10.9
Amortisation of intangibles associated with acquisitions	**1.0**	0.1
Cost associated with acquisitions (2017: acquisitions, completed and aborted)	**0.4**	2.8
Tax deduction associated with acquisitions (2017: acquisitions, completed and aborted)	**(0.1)**	(0.8)
Changes in accounting policy	**0.4**	-
Earnings for adjusted earnings per share	**16.3**	13.0
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**19,114**	19,052
Effect of potentially dilutive share options (thousands)	**369**	274
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,483**	19,326
Earnings per share from operations		
Basic	**76.4p**	57.2p
Diluted	**74.9p**	56.4p
Diluted adjusted	**83.7p**	67.3p

The effective tax rate applied to derive the diluted adjusted earnings per share is 18.7%. This is the rate we currently expect for the year ending 31 December 2018.

10. Intangible assets

Intangible assets comprises trademarks, brand and technology, customer contracts, non-contractual customer relationships and development expenditure capitalised when it meets the criteria laid out in IAS 38 *Intangible Assets.*

£ Millions	Development costs	Trade marks	Brand and Technology	Customer relationships	Customer contracts	Total
Cost						
At 1 January 2017	25.0	1.0	0.7	0.7	0.1	27.5
Additions	2.0	-	-	-	-	2.0
Foreign currency translation	(0.4)	-	0.1	-	-	(0.3)
At 30 June 2017	**26.6**	**1.0**	**0.8**	**0.7**	**0.1**	**29.2**
At 1 January 2018	29.0	1.0	2.4	5.5	0.4	38.3
Additions	2.8	-	-	-	-	2.8
Acquisition of business	-	-	2.4	8.9	0.3	11.6
Foreign currency translation	0.3	-	0.1	0.2	-	0.6
At 30 June 2018	**32.1**	**1.0**	**4.9**	**14.6**	**0.7**	**53.3**
Amortisation						
At 1 January 2017	10.8	1.0	0.1	0.2	0.1	12.2
Charge for the year	1.2	-	-	0.1	-	1.3
Foreign currency translation	(0.1)	(0.1)	0.1	(0.1)	-	(0.2)
At 30 June 2017	**11.9**	**0.9**	**0.2**	**0.2**	**0.1**	**13.3**
At 1 January 2018	13.0	0.9	0.2	0.5	0.2	14.8
Charge for the year	1.4	-	0.2	0.7	0.1	2.4
Foreign currency translation	0.1	-	0.1	-	-	0.2
At 30 June 2018	**14.5**	**0.9**	**0.5**	**1.2**	**0.3**	**17.4**
Carrying amount						
At 30 June 2018	**17.6**	**0.1**	**4.4**	**13.4**	**0.4**	**35.9**
At 30 June 2017	14.7	0.1	0.6	0.5	-	15.9

11. Cash and cash equivalents

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

£ Millions	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Cash and bank balances	**12.1**	11.3
Less: Bank overdrafts	**-**	(0.6)
Cash and cash equivalents per consolidated cash flow statement	**12.1**	10.7
Reconciliation to free cash flow:		
Net cash provided by operating activities	**13.4**	16.4
Purchases and construction of property, plant and equipment	**(2.8)**	(2.0)
Capitalisation of research and development expenditure	**(2.8)**	(2.0)
Interest paid	**(0.4)**	-
Free cash flow	**7.4**	12.4

12. Borrowings, bank loans and overdraft

£ Millions	30 June 2018 (Unaudited)	31 December 2017	30 June 2017 (Unaudited)
Non-current	**58.6**	24.0	-
Current	**-**	-	3.3
Total	**58.6**	24.0	3.3

The Group entered into a new revolving credit facility of US$40.0 million with a US$20.0 million additional accordion option with HSBC and Fifth Third Bank on 27 September 2017. In May 2018, the Group increased the revolving credit facility to US$85.0 million with a US$20.0 million additional accordion option. The facility has no fixed repayment terms until maturity. The revolving loan is priced at LIBOR plus a margin of 1% for the utilisation facility and a margin of 0.4% for the unutilised facility.

13. Business combination

On 25 May 2018, the Group acquired the assets and business of Glassman High Voltage Inc.. The principal activity of Glassman High Voltage Inc. is that of a designer and manufacturer of high voltage, high power, power supplies. In addition, the acquisition also includes the purchase of Glassman's small European sales business (XP Glassman Europe Limited formerly known as Glassman Europe Limited). The Group made the acquisition because Glassman and the Group share several customers, and while there is no direct overlap in product lines, the power supply solutions of the two companies are highly complementary. Glassman's products and engineering capabilities will enhance the Group's ability to implement its strategy of winning a greater share of business from its largest customers by achieving wider vertical penetration of key accounts. As well as a product offering suitable for an array of applications used by some of the Group's existing customer base, Glassman will also bring a number of new customers to the Group.

Details of the consideration paid for the assets and business, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

13. Business combination (continued)

		£ Millions
(a)	Purchase consideration	
	Cash Paid	35.8
	Total Purchase consideration	35.8
	Consideration transferred for the business and subsidiary	35.8
(b)	Effect on cash flows of the Group	
	Cash paid (as above)	35.8
	Less cash and cash equivalents in the subsidiary acquired	(0.2)
	Cash outflow on acquisition	35.6
(c)	Assets acquired and liabilities assumed based on provisional fair value	
	Cash and cash equivalents	0.2
	Property, plant and equipment	3.6
	Technology, Customer relationships, Contracts and Brands	11.6
	Inventories	2.7
	Trade and other receivables	2.7
	Total assets	20.8
	Trade and other payables	0.5
	Total liabilities	0.5
	Total net assets	20.3
	Add: Goodwill	15.5
	Consideration transferred for the business and subsidiary	35.8

(d) Acquisition-related costs

Acquisition-related costs of £0.3 million are included in “administrative expenses” in the consolidated statement of comprehensive income.

(e) Acquired receivables

The fair value of trade receivables is £2.7 million and all of which is expected to be collected.

(f) Fair values

The fair value of the acquired identifiable intangible assets of £11.6 million (brand, technology, customers’ relationships and contracts) has been provisionally determined pending final valuations for those assets.

(g) Goodwill

The goodwill of £15.5 million arising from the acquisition is attributable to the distribution network in America and Europe and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of Glassman High Voltage Inc. and XP Glassman Europe Limited.

(h) Revenue and profit contribution

The acquired business and subsidiary contributed revenue of £1.2 million and net profit of £0.3 million to the Group from the period 25 May 2018 to 30 June 2018. Had Glassman High Voltage Inc. and XP Glassman Europe Limited been consolidated from 1 January 2018, consolidated revenue and consolidated profit before tax for the period ended 30 June 2018 for the Group would have been £99.6 million and £20.0 million respectively.

14. Currency Impact

We report in Pounds Sterling (GBP) but have significant revenues and costs as well as assets and liabilities that are denominated in United States Dollars (USD). The table below sets out the prevailing exchange rates in the periods reported.

	First half 2018 Average	First half 2017 Average	% Change	30 June 2018 Period end	31 December 2017 Period end	30 June 2017 Period end
USD/GBP	1.39	1.26	10.3%	1.32	1.34	1.27
EUR/GBP	1.14	1.17	-2.6%	1.14	1.13	1.14

Approximately 82% of the Group's revenues are invoiced in USD so the change in the USD to GBP exchange rate has a significant effect on reported revenue in GBP. However, as the majority of our cost of goods sold and operating expenses are also denominated in USD, the change in profit before tax with the USD to GBP exchange rate is relatively minor. The impact of changes in the key exchange rates from the first half of 2017 to the first half of 2018 are summarised as follows:

£ Millions	USD	EUR
Impact on revenues	(7.9)	0.2
Impact on profit before tax	(1.6)	-
Impact on net debt	(0.3)	-

15. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, we have adopted IFRS 9 and IFRS 15 using the modified retrospective transition method and recognised the transition adjustments in the opening balance sheet. The following table shows the adjustments recognised for each individual line item.

£ Millions	Note	**At 31 December 2017**	**Effects of IFRS 9**	**Effects of IFRS 15**	**At 1 January 2018 Restated**
ASSETS					
Trade receivables		23.8	0.4	*	24.2
EQUITY					
Retained earnings		89.6	0.4	*	90.0

* Balances are less than £100,000.

15. Changes in accounting policies (continued)

(b) IFRS 9 *Financial Instruments* - Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Please refer to note 15(a) for the total impact on the Group's retained earnings as at 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), management has applied the Business Model test and Solely Payment of Principals and Interests ("SPPI") test to the financial assets held by the Group.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

in £ Millions	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	15.0	15.0
Trade receivables	Loans and receivables	Amortized cost	23.8	24.2
Other current assets	Loans and receivables	Amortized cost	1.8	1.8
Derivative financial instruments	Held-for-trading	Mandatorily at Fair Value through Profit or Loss ("FVPL")	0.2	0.2
ESOP Loan to employees	Loans and receivables	Amortized cost	0.3	0.3

(a) Cash and cash equivalents, trade receivables, other current assets (exclude prepayment) and ESOP loan to employees were classified as loans and receivables under IAS 39 are now classified at amortised cost. There was no impact on the amounts recognised in relation to these assets except for trade receivables from the adoption of IFRS 9.

(b) Derivative financial instruments that were previously held for trading are required to be held as FVTPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

15. Changes in accounting policies (continued)

(b) IFRS 9 *Financial Instruments* - Impact of adoption (continued)

(ii) Derivatives and hedging activities

Foreign currency forward contracts in place as at 31 December 2017 were entered into hedge exchange rate movements of highly probable future sales and qualify as cash flow hedges under IFRS 9.

The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

There have been no changes to the recognition and measurement of derivatives and hedging activities under IFRS 9.

(iii) Impairment of financial assets

The Group's financial assets that are subject to IFRS 9's new expected credit loss model is trade receivables.

The Group was required to revise its impairment methodology under IFRS 9 for trade receivables. The impact of the change in impairment methodology is disclosed in the table in note 15(a).

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, it is based on the Group's two years historical credit loss experience across all regions and set up a provision matrix using the amount of bad debt incurred over the carrying value of the trade receivables per aging brackets at each financial year end.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for the trade receivables.

North America region

1 January 2018	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate (%)	5	20	25	
Gross carrying amount (£ Millions)	0.3	0.2	0.1	0.6
Loss allowance (£ Millions)	*	*	*	*

Europe region

1 January 2018	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate (%)	5	20	35	
Gross carrying amount (£ Millions)	*	*	0.2	0.2
Loss allowance (£ Millions)	*	*	0.1	0.1

* Balances are less than £100,000.

15. Changes in accounting policies (continued)

(b) IFRS 9 *Financial Instruments* - Impact of adoption (continued)

(iii) Impairment of financial assets (continued)

Asia region

1 January 2018	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate (%)	0	0	0	
Gross carrying amount (£ Millions)	0.1	*	*	0.1
Loss allowance (£ Millions)	-	-	-	-

* Balances are less than £100,000.

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables
	£'million
At 31 December 2017 - calculated under IAS 39	0.5
Amounts restated through opening retained earnings	(0.4)
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	0.1

There have been no significant changes to the expected loss rate as at 30 June 2018.

(c) IFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(i) Financial Assets

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories

- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss).

The classification depends on the Group's business model and SPPI for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

15. Changes in accounting policies (continued)

(c) IFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (continued)

(i) Financial Assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

<u>At subsequent measurement</u>

Debt instruments

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair Value through Other Comprehensive Income ("FVOCI"): Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains/(losses)". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises and presented in "other gains/(losses)".

Impairment

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

15. Changes in accounting policies (continued)

(c) IFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (continued)

(ii) Derivatives and hedging

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

When currency forwards are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(d) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies applied from 1 January 2018

The Group has adopted *IFRS 15 Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective transition method. Please refer to note 15(a) for the total impact on the Group's retained earnings as at 1 January 2018.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated income statement and balance sheet was less than £0.1 million as at 1 January 2018.

(i) Accounting for sales discounts

When there is a sale of goods, the customers will be entitled to early repayment discount which is based on the agreed discount rate and early repayment terms. The Group previously recognised the sales discounts when the customers made the payment.

15. Changes in accounting policies (continued)

(d) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies applied from 1 January 2018 (continued)

(i) Accounting for sales discounts (continued)

Under IFRS 15, if the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

An entity shall estimate an amount of variable consideration by using either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled:

(a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if an entity has a large number of contracts with similar characteristics.

(b) The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes.

The Group is using the most likely amount approach as there will be only 2 possible outcomes, either the customers make the payment and receive the discount or pay after the early payment date and don’t receive the discount. The Group recognised the sales discounts assuming all customers eligible for the discount make payment by the early payment date. The impact is less than £0.1 million for 1H 2018.

(ii) Accounting for sales volume rebates

When there is a sale of goods, certain customers will be entitled to sale volume rebate which is based on total spending multiplied by the agreed rebates percentage. The Group previously recognised the sales rebates based on billings to date.

Under IFRS 15, if the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

An entity shall estimate an amount of variable consideration by using either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled:

(a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if an entity has a large number of contracts with similar characteristics.

(b) The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes.

The Group is using the expected value approach as there is a range of possible consideration amounts depending on the sales volume which in turn will affect amount of rebates. The Group estimates the rebate percentage that the participating customers will be eligible for by the end of the rebate programme year and applies that rebate percentage to the billings to date. £0.2 million of accrual rebates has been accounted for in 1H 2018.

15. Changes in accounting policies (continued)

(e) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies

(i) Sale of goods

The Group manufactures and sells a range of power products. Sales are recognised when control of the products has transferred to its customer, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Power products are sometimes sold with volume discounts based on aggregate sales over a 12 months period or sales discounts if the customers made early repayment. Revenue from these sales is recognised based on the price specified in the contract. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method, and sales discounts, using most likely approach and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The group will usually issue a credit note for refund for faulty products.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

Volume rebates and early payment discounts are recognised when the goods are delivered and is presented as a reduction in trade and other receivables.

(ii) Interest income

Interest income is recognised using the effective interest method.

Risks and uncertainties

Like many other international businesses, the Group is exposed to a number of risks and uncertainties which might have a material effect on its financial performance. These include:

An event that causes a disruption to one of our manufacturing facilities

An event that results in the temporary or permanent loss of a manufacturing facility would be a serious issue. As the Group manufactures 78% of revenues, this would undoubtedly cause at least a short-term loss of revenues and profits and disruption to our customers and therefore damage to reputation.

Product recall

A product recall due to a quality or safety issue would have serious repercussions to the business in terms of potential cost and reputational damage as a supplier to critical systems.

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.

Competition from new market entrants and new technologies

The power supply market is diverse and competitive. 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, in terms of both power range and programme size, the barriers to entry are lower and there is, therefore, a risk that competition could quickly increase particularly from emerging low-cost manufacturers in Asia.

Fluctuations of revenues, expenses and operating results due to an economic shock

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 and 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.

Dependence on 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 key suppliers, this could have a material impact on the Group's financial condition and results of operations. However, for the six months ended 30 June 2018, no one customer accounted for more than 16% of revenue.

Cyber security / Information systems failure

The Group is reliant on information technology in multiple aspects of the business from communications to data storage. Assets accessible online are potentially vulnerable to theft and customer channels are vulnerable to disruption. Any failure or downtime of these systems or any data theft could have a significant adverse impact on the Group's reputation or on the results of operations.

Risks relating to regulation, compliance and taxation

The Group operates in multiple jurisdictions with applicable trade and tax regulations that vary. Failing to comply with local regulations or a change in legislation could impact the profits of the Group. In addition, 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 and have an impact on earnings and potentially its share price.

Risks and uncertainties (continued)

Strategic risk associated with valuing or integrating new acquisitions

The Group may elect from time to time to make strategic acquisitions. A degree of uncertainty exists in valuation and in particular in evaluating potential synergies. Post-acquisition risks arise in the form of change of control and integration challenges. Any of these could have an effect on the Group's revenues, results of operations and financial condition.

Loss of key personnel or failure to attract new 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 key employees could have a material adverse effect on own business.

Exposure to exchange rate fluctuations

The Group deals in many currencies for both its purchases and sales including US Dollars, Euros and its reporting currency Pounds Sterling. In particular, North America represents an important geographic market for the Group where virtually all the revenues are denominated in US Dollars. The Group also sources components in US Dollars and the Chinese Renminbi. The Group therefore has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings.

Directors' responsibility statement

The interim results were approved by the Board of Directors on 30 July 2018.

The Directors confirm that to the best of their knowledge that:

- The unaudited interim results have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union; and
- The interim results include a fair view of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8 (disclosure of related party transactions and changes therein).

The Directors of XP Power Limited are as follows:

James Peters	Non-Executive Chairman
Duncan Penny	Chief Executive
Mike Laver	President, Corporate Development
Gavin Griggs	Chief Financial Officer
Andy Sng	Executive Vice President, Asia
Terry Twigger	Senior Non-Executive Director
Peter Bucher	Non-Executive Director
Polly Williams	Non-Executive Director

Signed on behalf of the Board by

James Peters
Non-Executive Chairman

Duncan Penny
Chief Executive

30 July 2018