

# FINANCIALS



Contents

<b>FINANCIALS</b>	
INDEPENDENT AUDITOR'S REPORT	136
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	141
CONSOLIDATED BALANCE SHEET	142
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	143
CONSOLIDATED STATEMENT OF CASH FLOWS	144
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	145
COMPANY BALANCE SHEET	180
NOTES TO THE COMPANY BALANCE SHEET	181
FIVE-YEAR REVIEW CONSOLIDATED INFORMATION	191
ADVISERS	192



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF XP POWER LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the accompanying consolidated financial statements of XP Power Limited (the "Company") and its subsidiary corporations (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards ("IFRS") as adopted by the European Union, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### What we have audited

The financial statements of the Company and the Group comprise:

- The consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2020;
- The balance sheet of the Group as at 31 December 2020;
- The balance sheet of the Company as at 31 December 2020;
- The consolidated statement of changes in equity of the Group for the financial year then ended;
- The consolidated statement of cash flows of the Group for the financial year then ended; and
- The notes to the financial statements, including a summary of significant accounting policies.

### The basis for our opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "What are we responsible for" section of our report.

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

### Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority's Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## Our audit approach – overview



### MATERIALITY

The overall materiality which we have used to plan our work for the Group amounted to £2.0 million, which represented 5.6% of profit before taxation. The overall materiality applied to the audit of the Company balance sheet amounted to £1.03 million.

### AUDIT SCOPE

We performed an audit of the complete financial information and of significant financial statement line items for significant reporting units which included operations based in North America, Europe and Asia. This accounted for approximately 92% of Group revenues and 93% of Group assets.

### KEY AUDIT MATTERS

We identified the following key audit matters:

- Goodwill; and
- Capitalised product development.

## How we determined materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.47 million to £1.99 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

Based on our professional judgement, we determined that the benchmark of profit before taxation is appropriate as it reflects the Group's growth and investment plans. We believe this is a key measure used by shareholders in assessing the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## How we tailored the audit scope

The Group operates across North America, Europe and Asia. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the local operations by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those local operations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In the current year, the Group engagement team visited the Group's operations in North America.

We designed our audit of the Group by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates, that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## What are the key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and the directing of the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF XP POWER LIMITED

## Key audit matters

## How did our audit address these

### Goodwill

Refer to page 112 (Report from the Chair of the Audit Committee), page 155 (Critical accounting judgements and key sources of estimation uncertainty – Impairment of Goodwill) and page 162 (Note 11 – Goodwill).

The Group has goodwill of £52.2 million at 31 December 2020 contained within three cash-generating units (“CGUs”) defined by its geographical split – North America, Europe and Asia.

We focused on this area due to the relative size of the carrying amount of goodwill, which represented 22% of total assets, and because management’s assessment of the ‘value-in-use’ of the Group’s CGUs involves significant judgements and assumptions about the future results of the business and the discount rates applied to future cash flow forecasts.

Key judgements and assumptions about the future results of the business include: revenue and profit growth rates, expected changes to overhead costs as well as risks specific to the three CGUs.

We evaluated the suitability and appropriateness of the impairment model as prepared by management and noted no significant exceptions.

We assessed the reasonableness of the inputs used to derive the discount rates. We also focused on understanding and challenging management’s plans for future growth for each of the three CGUs. Forecasted growth in revenue and profits are driven by constant innovation in the development of new product families as well as the broadening of the customer base in the three CGUs. We benchmarked key market-related assumptions in management’s forecasts such as revenue and profit growth rates and changes in the overhead costs with relevant economic, industry indicators and historical trends for revenue growth and considered that such targets as set by management were achievable. Sensitivity analyses were also performed on the discount rates and growth rates. We agreed with management that no impairment was required.

### Capitalised product development

Refer to page 112 (Report from the Chair of the Audit Committee), page 155 (Critical accounting judgements and key sources of estimation uncertainty – Recoverability and useful lives of Capitalised development costs) and page 163 (Note 12 – Intangible assets).

Part of the Group’s strategy is to invest in research and development to create new products. As at 31 December 2020, the carrying value of product development costs capitalised as an intangible asset is £25.1 million, of which £7.7 million was capitalised in the current financial year.

We focused on the appropriateness of capitalisation of product development costs due to the relative size of the carrying amount of this intangible asset, which represented 10% of total assets, and because significant judgement is involved in determining whether the criteria to capitalise such product development costs, as set out in IAS 38 Intangible Assets, have been fulfilled and that the capitalised amounts are recoverable.

We also identified the useful lives of the capitalised product development costs as an area involving significant judgement. The carrying value of the capitalised product development costs is heavily dependent on the useful lives of the developed products. Management determined the useful lives of the developed products based on the expected life cycle of these products, taking into consideration expected customer demand and technological innovation.

We assessed the appropriateness of capitalisation of product development costs by ensuring compliance with the criteria to capitalise product development costs as set out in IAS 38, and challenged management through discussions and qualitative reviews of the products’ feasibility. We also tested the accuracy and allocation of capitalised material costs and labour costs. Management was able to support the capitalisation of product development costs.

For selected samples of developed products, we reviewed the actual sales during the year along with projected sales to ensure that the capitalised development costs are supported by demand and are recoverable. For selected samples of products in development, we reviewed the project business case, forecasted demand, and other supporting analysis to support the recoverability of these products.

In the assessment of the useful lives of the capitalised product development costs, we performed a benchmarking exercise to compare the useful lives of the capitalised product development costs against other companies within the same industry. The useful lives as determined by management are in line with that of the industry and consistent with our understanding of the life cycle of the products.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

### Going concern

Under the UK Listing Rules ("Listing Rules") we are required to review the Directors' statement, set out on page 133, in relation to going concern. We have nothing to report having performed our review.

### The Directors' assessment of the prospects of the Group

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group, set out on page 59. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

### Corporate governance statement

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to Provisions 6 and 24 to 29 of the UK Corporate Governance Code. We have nothing to report having performed our review.

### Other information

Management is responsible for the other information. The other information comprises the "Overview" section set out on pages 1 to 17, "Strategic Report" section set out on pages 19 to 83, "Governance" section set out on pages 85 to 133, and the "Financials" section on page 191 of the Annual Report. Other information, as defined in this section, does not include matters that we are required to review and report on under the Listing Rules, as described above.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### What are Management and Directors responsible for

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRS 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; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## THE DIRECTORS ARE RESPONSIBLE FOR OVERSEEING THE GROUP'S FINANCIAL REPORTING PROCESS.

### What are we responsible for

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF XP POWER LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

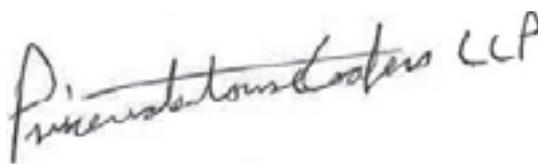
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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.

The engagement partner on the audit resulting in this independent auditor's report is Greg Unsworth.



PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore

2 March 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

£m	Note	2020	2019
Revenue	4	233.3	199.9
Cost of sales	7	(123.2)	(109.8)
<b>Gross profit</b>		<b>110.1</b>	90.1
Other income		0.6	-
Expenses			
Distribution and marketing	7	(52.4)	(43.2)
Administrative	7	(5.0)	(7.2)
Research and development	7	(15.9)	(13.0)
<b>Operating profit</b>		<b>37.4</b>	26.7
Finance charge	6	(1.7)	(2.7)
<b>Profit before tax</b>		<b>35.7</b>	24.0
Income tax expense	8	(4.0)	(3.2)
Profit after tax		31.7	20.8
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges		-	(0.1)
Exchange differences on translation of foreign operations		(3.6)	(4.2)
		(3.6)	(4.3)
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation		*	(0.1)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(3.6)</b>	(4.4)
<b>Total comprehensive income for the year</b>		<b>28.1</b>	16.4
<b>Profit attributable to:</b>			
Equity holders of the Company		31.5	20.5
Non-controlling interests		0.2	0.3
		31.7	20.8
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		27.9	16.2
Non-controlling interests		0.2	0.2
		28.1	16.4
<b>Earnings per share attributable to equity holders of the Company (pence per share)</b>			
Basic earnings per share	10	163.0	107.0
Diluted earnings per share	10	160.3	105.0

\* Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

£m	Note	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Corporate tax recoverable		3.8	2.0
Cash and cash equivalents	16	13.9	11.2
Inventories	17	54.2	44.1
Trade receivables	18	30.2	34.8
Other current assets	19	4.6	3.3
Derivative financial instruments	23	0.3	0.6
<b>Total current assets</b>		<b>107.0</b>	96.0
<b>Non-current assets</b>			
Goodwill	11	52.2	53.2
Intangible assets	12	46.6	46.4
Property, plant and equipment	13	28.4	29.3
Right-of-use assets	14	5.1	6.6
Deferred income tax assets	24	2.9	1.8
ESOP loan to employees		*	0.1
<b>Total non-current assets</b>		<b>135.2</b>	137.4
<b>Total assets</b>		<b>242.2</b>	233.4
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current income tax liabilities		4.9	3.1
Trade and other payables	20	28.2	25.2
Derivative financial instruments	23	0.1	-
Lease liabilities	22	1.5	1.6
Accrued consideration	21	-	0.5
<b>Total current liabilities</b>		<b>34.7</b>	30.4
<b>Non-current liabilities</b>			
Accrued consideration	21	1.0	1.2
Borrowings	22	31.8	52.5
Deferred income tax liabilities	24	6.7	5.5
Provisions		0.1	0.1
Lease liabilities	22	3.4	4.8
<b>Total non-current liabilities</b>		<b>43.0</b>	64.1
<b>Total liabilities</b>		<b>77.7</b>	94.5
<b>NET ASSETS</b>		<b>164.5</b>	138.9
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	25	27.2	27.2
Merger reserve	25	0.2	0.2
Share option reserve	25	4.1	3.9
Treasury shares reserve	25	(0.1)	(0.5)
Translation reserve	25	(3.8)	(0.2)
Other reserve	25	3.6	(0.8)
Retained earnings	25	132.6	108.4
		<b>163.8</b>	138.2
<b>Non-controlling interests</b>		<b>0.7</b>	0.7
<b>TOTAL EQUITY</b>		<b>164.5</b>	138.9

\* Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

£m	Note	Attributable to equity holders of the Company								Total	Non-controlling interests	Total equity
		Share capital	Share option reserve	Treasury shares reserve	Merger reserve	Hedging reserve	Translation reserve	Other reserve	Retained earnings			
<b>Balance at 1 January 2019</b>		27.2	2.1	(1.0)	0.2	0.1	4.0	(0.8)	104.6	136.4	1.0	137.4
Exercise of share options		-	-	0.5	-	-	-	-	*	0.5	-	0.5
Employee share option plan expenses		-	0.7	-	-	-	-	-	-	0.7	-	0.7
Tax on employee share option plan expenses		-	1.1	-	-	-	-	-	-	1.1	-	1.1
Dividends paid	9	-	*	-	-	-	-	-	(16.7)	(16.7)	(0.5)	(17.2)
Exchange difference arising from translation of financial statements of foreign operations		-	*	-	-	-	(4.2)	-	-	(4.2)	(0.1)	(4.3)
Net change in cash flow hedges		-	-	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Profit for the year		-	-	-	-	-	-	-	20.5	20.5	0.3	20.8
Total comprehensive income for the year		-	*	-	-	(0.1)	(4.2)	-	20.5	16.2	0.2	16.4
<b>Balance at 31 December 2019</b>		27.2	3.9	(0.5)	0.2	-	(0.2)	(0.8)	108.4	138.2	0.7	138.9
Exercise of share options		-	(1.2)	0.4	-	-	-	4.3	-	3.5	-	3.5
Employee share option plan expenses		-	1.5	-	-	-	-	-	-	1.5	-	1.5
Tax on employee share option plan expenses		-	(0.1)	-	-	-	-	-	-	(0.1)	-	(0.1)
Dividends paid	9	-	*	-	-	-	-	-	(7.3)	(7.3)	*	(7.3)
Future acquisition of non-controlling interest		-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Change in non-controlling interest		-	-	-	-	-	-	0.2	-	0.2	(0.2)	-
Exchange difference arising from translation of financial statements of foreign operations		-	*	-	-	-	(3.6)	-	*	(3.6)	*	(3.6)
Profit for the year		-	-	-	-	-	-	-	31.5	31.5	0.2	31.7
Total comprehensive income for the year		-	*	-	-	-	(3.6)	-	31.5	27.9	0.2	28.1
<b>Balance at 31 December 2020</b>		<b>27.2</b>	<b>4.1</b>	<b>(0.1)</b>	<b>0.2</b>	<b>-</b>	<b>(3.8)</b>	<b>3.6</b>	<b>132.6</b>	<b>163.8</b>	<b>0.7</b>	<b>164.5</b>

\* Balances are less than £100,000.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

£m	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit after tax		31.7	20.8
Adjustments for:			
– Income tax expense	8	4.0	3.2
– Amortisation and depreciation	7	14.0	12.7
– Finance charge	6	1.7	2.7
– Share option expense	5	1.5	0.7
– Fair value loss/(gain) of derivative financial instruments		0.5	(0.9)
– Loss on disposal of property, plant, and equipment		*	–
– Loss on disposal of intangible assets		1.2	–
– Unrealised currency translation loss		0.2	0.9
– Provision for doubtful debts	30 (d)	0.4	–
Change in working capital, net of effects from acquisitions:			
– Inventories	26	(12.3)	10.3
– Trade and other receivables	26	2.7	(3.7)
– Trade and other payables	26	3.3	4.5
– Provision for liabilities and other charges	26	*	(0.5)
<b>Cash generated from operations</b>		<b>48.9</b>	<b>50.7</b>
Income tax paid, net of refund		(3.3)	(4.5)
<b>Net cash provided by operating activities</b>		<b>45.6</b>	<b>46.2</b>
<b>Cash flows from investing activities</b>			
Purchases and construction of property, plant and equipment	13	(4.0)	(4.7)
Additions of development costs	12	(7.7)	(8.0)
Additions of intangible software and software under development	12	(3.2)	(3.6)
Proceeds from disposal of property, plant and equipment		0.1	*
Proceeds from repayment of ESOP loans		*	*
Payment of accrued consideration	21	(0.6)	–
<b>Net cash used in investing activities</b>		<b>(15.4)</b>	<b>(16.3)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	22	(20.7)	(8.8)
Principal payment of lease liabilities	22	(1.7)	(1.5)
Proceeds from exercise of share options		3.5	0.5
Interest paid	22	(1.3)	(2.7)
Dividend paid to equity holders of the Company	9	(7.3)	(16.7)
Dividend paid to non-controlling interests		*	(0.5)
<b>Net cash used in financing activities</b>		<b>(27.5)</b>	<b>(29.7)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2.7</b>	<b>0.2</b>
Cash and cash equivalents at beginning of financial year		11.2	11.5
Effects of currency translation on cash and cash equivalents		*	(0.5)
<b>Cash and cash equivalents at end of financial year</b>	16	<b>13.9</b>	<b>11.2</b>

\* Balances are less than £100,000.

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 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 XP Power Limited and its subsidiaries’ operations and its principal activities are set out in the “Markets and Products” sections of the Annual Report on pages 22–23.

## 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 and its subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (IFRS as adopted by the EU).

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

The preparation of financial statements in conformity with IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) 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

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 22 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 48 to 51. The principal risks of the Group are set out on pages 54 to 59. The directors have considered these areas alongside the principal risks and how they may impact going concern.

The directors reviewed budgets and forecasts to assess the cash requirements of the Group to continue in operational existence for a minimum period of 12 months from the date of the approval of these financial statements.

The Directors also reviewed downside scenarios to the budgets and forecasts, which reflect the possible impact of risks identified in the risk management framework. The greatest consideration was given to those risks with the highest potential impact if they occurred and those with the highest probability of occurring. Throughout these downside scenarios, the Group continues to have significant headroom on its financial debt covenants.

Therefore, after making the above 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

On 1 January 2020, the Group adopted the new or amended IFRS and IFRIC that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC.

The adoption of these new or amended IFRS did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or previous financial years.

##### ii New standards and interpretations issued not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 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 US 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 remeasured. 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 recognised in the statement of comprehensive income, except when deferred in other currency translation reserve as qualifying cash flow 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. TRANSLATION OF GROUP ENTITIES' FINANCIAL STATEMENTS

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 at the dates of the transactions;
- (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; and
- (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. The Group has elected to treat goodwill and fair value adjustments arising on the acquisitions before the date of transition to IFRS as Pound Sterling denominated assets and liabilities converted using the exchange rates at the dates of acquisition.

### 2.3 Revenue recognition

#### a. SALES 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-month period or early payment discounts if the customers made early repayment. Revenue from these sales is recognised based on the price specified in the contract, net of the discounts. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method, and early payment discounts, using most likely approach. 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.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) INTEREST INCOME

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 control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also 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, 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held 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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of shares 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 remeasured to its fair value, with the change in carrying amount recognised in the statement of comprehensive income. 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 the statement of comprehensive income.

## 2.5 Inventories

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment

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

The 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. All other repairs and maintenance are charged to the statement of comprehensive income 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%

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 statement of comprehensive income 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 are determined as the difference between the sale proceeds less cost to sell and the carrying amount of the asset, and are recognised in the statement of comprehensive income.

### 2.7 Intangible assets

#### a. GOODWILL

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

Goodwill is tested annually for impairment and whenever there is an indication that the goodwill may be impaired. Goodwill is 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 ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs 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

The cost of an item of internally generated intangible assets initially recognised includes materials used, direct labour and other directly attributable costs to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Expenditure on research activities is 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 three and seven years depending on the exact nature of the project undertaken. Amortisation commences when the product is ready and available for use.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. ACQUIRED COMPUTER SOFTWARE LICENCES

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of seven to ten years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

### d. OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives as follows:

Brand	- 10%-50%
Technology	- 10%-20%
Customer relationships	- 10%-20%
Customer contracts	- 90%-100%

## 2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for these costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

## 2.9 Impairment of non-financial assets

### a. GOODWILL

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGUs' fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

### b. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENTS IN SUBSIDIARIES

Intangible assets, property, plant and equipment and investments in subsidiaries 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

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

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

### 2.11 Financial assets

Beginning 1 January 2019, 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 for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

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

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.

#### AT SUBSEQUENT MEASUREMENT

##### Debt instruments

Debt instruments mainly comprise of "trade receivables", "other current assets (excluding prepayments, VAT receivables and rights to returned goods)", "cash and cash equivalents" and "ESOP loans to employees" in the balance sheet.

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 instrument 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 and presented in "interest income".

**Fair value through profit or loss ("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 FVTPL. 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)".

The Group applies the simplified approach permitted by the IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses a provision matrix to measure expected credit loss.

Expected credit loss is assessed separately for each of the Group's key regions and is based on each region's two-year historical credit loss experience.

##### 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Trade and other payables

Trade payables are obligations to pay for goods and services 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.

### 2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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 a finance expense. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the statement of comprehensive income when the changes arise.

### 2.14 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 statement of comprehensive income 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 drawdown 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.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

### 2.15 Leases

#### When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

#### a. RIGHT-OF-USE ASSETS

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

#### b. LEASE LIABILITIES

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative standalone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are presented as follows in the Group statement of cash flows:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- Payments for the interest element of recognised lease liabilities are included in 'interest paid' within cash flows from financing activities; and
- Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

### c. SHORT-TERM OR LOW-VALUE LEASES

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

### d. VARIABLE LEASE PAYMENTS

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

## 2.16 Derivative financial instruments and hedging activities

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value at the date the contract is entered into and is subsequently carried at its fair value. Changes in fair value are recognised in profit or loss. The Group does not apply hedge accounting for its derivative financial instruments.

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 manage the foreign currency exposures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Current and deferred income tax

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 statement of comprehensive income, 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.

As the timing of the tax deduction and the recognition of the employee share option expense differs, IAS 12 Income Taxes requires the recognition of the related deferred tax asset if the deferred tax asset recognition criteria are met. For an equity-settled share-based payment, if the cumulative amount of tax deduction exceeds the tax effect of the related cumulative remuneration expense at the reporting date, the excess of the associated deferred tax shall be recognised directly in equity. All taxes related to cash-settled share-based payments shall be recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions.

### 2.19 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The vesting conditions are service conditions and performance conditions only. 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 statement of comprehensive income, 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 reissued to the employees.

### 2.20 Defined contribution plans

The Group operates several defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contracted or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

### 2.21 Employee leave entitlements

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

### 2.22 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity, net of tax, from the proceeds.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental cost (net of income taxes), is deducted from equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

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

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share reserve 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.

Other reserve comprises future transactions with the non-controlling interest. The amount that may become payable under the agreement is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to equity. The liability is subsequently accreted through equity up to the redemption amount that is payable at the date at which the agreement first becomes exercisable.

### 2.23 Dividend distribution

Dividend distributions to the Company's Shareholders are recognised when the dividends are approved for payment or, in the case of interim dividends, when paid.

### 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. Segment reporting is disclosed in Note 4.

### 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 development costs

During the year £7.7 million (2019: £8.0 million) of development costs were capitalised, bringing the total carrying amount of development costs capitalised as intangible assets as at 31 December 2020 to £25.1 million (2019: £23.4 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 will be removed from the balance sheet and charged to the statement of comprehensive income. Significant judgements are used by the Group to estimate future sales of products and expected future cash flows. In making these estimates, management has relied on past performance, its expectations of market developments, and industry trends.

#### b. Useful lives of capitalised development costs

The Group estimates the useful lives of capitalised development costs based on the period over which the assets are expected to be available for use by the Group. Significant judgements are used by the Group in determining the useful lives of capitalised development costs based on the expected life cycle of these products, taking into consideration expected customer demand and technological innovation.

#### c. Impairment of goodwill

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

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

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 2020 was £52.2 million (2019: £53.2 million) with no impairment adjustment required for 2020.

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

### 4. SEGMENTED AND REVENUE INFORMATION

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 CODM 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: North America, Europe and Asia. 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, trade receivables, cash and cash equivalents, derivative financial instruments and exclude tax assets.

Segment liabilities comprise trade and other current liabilities, derivative financial instruments, borrowings, accrued contingent consideration and exclude tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. SEGMENTED AND REVENUE INFORMATION (CONTINUED)

### (i) Revenue

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions.

The revenue by class of customer and location of the design win is as follows:

£m	Year to 31 December 2020				Year to 31 December 2019			
	Europe	North America	Asia	Total	Europe	North America	Asia	Total
Semiconductor Manufacturing Equipment	1.2	66.6	1.8	69.6	0.4	36.6	0.4	37.4
Industrial Technology	42.8	37.4	14.2	94.4	52.0	47.7	16.9	116.6
Healthcare	21.0	43.2	5.1	69.3	12.0	31.2	2.7	45.9
<b>Total</b>	<b>65.0</b>	<b>147.2</b>	<b>21.1</b>	<b>233.3</b>	<b>64.4</b>	<b>115.5</b>	<b>20.0</b>	<b>199.9</b>

Revenues of £32.1 million (2019: £20.5 million) are derived from a single external customer. These revenues are attributable to the semiconductor manufacturing equipment sector.

The revenue by region or country where sales are generated is as follows:

£m	2020	2019
North America	134.8	107.5
United Kingdom	33.4	31.8
Singapore	31.0	29.1
Germany	14.5	13.9
Switzerland	2.6	2.7
France	3.8	3.7
Other countries	13.2	11.2
<b>Total revenue</b>	<b>233.3</b>	<b>199.9</b>

The majority of North America's revenue is generated from the United States of America.

### (ii) Segment

As permitted under IFRS 15 Revenue from Contracts with Customers, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 and prior year comparatives is as follows:

Reconciliation of segment results to profit after tax:

£m	2020	2019 <sup>1</sup>
Europe	18.0	16.4
North America	43.7	32.0
Asia	7.3	6.6
<b>Segment results</b>	<b>69.0</b>	<b>55.0</b>
Research and development	(10.1)	(9.4)
Manufacturing	(0.3)	(2.3)
Corporate cost from operating segment	(12.6)	(8.3)
<b>Adjusted operating profit</b>	<b>46.0</b>	<b>35.0</b>
Finance charge	(1.7)	(2.7)
Specific items	(8.6)	(8.3)
Profit before tax	35.7	24.0
Income tax expense	(4.0)	(3.2)
<b>Profit after tax</b>	<b>31.7</b>	<b>20.8</b>

<sup>1</sup> Prior year comparatives were reclassified to ensure consistency with 2020 segmental presentation and the classification of fair value adjustment on currency hedge as a specific item.

## 4. SEGMENTED AND REVENUE INFORMATION (CONTINUED)

£m	Year to 31 December 2020				Year to 31 December 2019			
	Europe	North America	Asia	Total	Europe	North America	Asia	Total
<b>Other information</b>								
Property, plant and equipment additions	0.1	1.8	2.1	4.0	0.2	2.3	2.2	4.7
Depreciation of property, plant and equipment	0.4	1.5	2.1	4.0	0.5	1.1	2.0	3.6
Right-of-use assets additions	0.4	*	0.4	0.8	0.3	1.4	*	1.7
Depreciation of right-of-use assets	0.5	1.1	0.3	1.9	0.3	1.1	0.3	1.7
Intangible assets additions	*	4.4	6.5	10.9	-	4.1	7.5	11.6
Amortisation	0.2	4.2	3.7	8.1	0.3	4.2	2.9	7.4
<b>Balance sheet</b>								
<b>Segment assets</b>	29.1	130.7	75.7	235.5	31.1	123.7	74.8	229.6
Unallocated deferred and current income tax				6.7				3.8
<b>Consolidated total assets</b>				242.2				233.4
<b>Segment liabilities</b>	(5.8)	(44.8)	(15.5)	(66.1)	(5.3)	(66.2)	(14.4)	(85.9)
Unallocated deferred and current income tax				(11.6)				(8.6)
<b>Consolidated total liabilities</b>				<b>(77.7)</b>				<b>(94.5)</b>

\* Balance is less than £100,000.

Non-current assets, other than deferred income tax assets, by countries:

£m	2020	2019
North America	<b>81.6</b>	84.3
United Kingdom	<b>11.8</b>	13.1
Singapore	<b>25.2</b>	23.1
Germany	<b>0.5</b>	0.5
Switzerland	<b>0.1</b>	0.1
France	*	*
Other countries	<b>13.1</b>	14.5
<b>Total non-current assets</b>	<b>132.3</b>	135.6

\* Balance is less than £100,000.

## 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, restructuring changes, acquisition related costs and amortisation of intangible assets arising from business combinations.

In addition, the Group presents an adjusted profit after tax measure by making adjustments for certain tax charges and credits, which management believes 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, a reconciliation of profit before tax to adjusted profit before tax and a reconciliation of profit after tax to adjusted profit after tax.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. SEGMENTED AND REVENUE INFORMATION (CONTINUED)

a. A reconciliation of operating profit to adjusted operating profit is as follows:

£m	2020	2019
Operating profit	37.4	26.7
Adjusted for:		
Acquisition costs	0.3	0.9
Costs related to ERP implementation	1.9	2.2
Amortisation of intangible assets due to business combination	3.2	3.2
Legal costs	0.4	1.9
Restructuring costs	2.3	1.0
Fair value loss/(gain) on currency hedge <sup>2</sup>	0.5	(0.9)
	8.6	8.3
<b>Adjusted operating profit</b>	<b>46.0</b>	<b>35.0</b>

b. A reconciliation of profit before income tax to adjusted profit before tax is as follows:

£m	2020	2019
Profit before tax ("PBT")	35.7	24.0
Adjusted for:		
Acquisition costs	0.3	0.9
Costs related to ERP implementation	1.9	2.2
Amortisation of intangible assets due to business combination	3.2	3.2
Legal costs	0.4	1.9
Restructuring costs	2.3	1.0
Fair value adjustments on currency hedge <sup>2</sup>	0.5	(0.9)
	8.6	8.3
<b>Adjusted PBT</b>	<b>44.3</b>	<b>32.3</b>

c. A reconciliation of profit after tax to adjusted profit after tax is as follows:

£m	2020	2019
Profit after tax ("PAT")	31.7	20.8
Adjusted for:		
Acquisition costs	0.3	0.9
Costs related to ERP implementation	1.9	2.2
Amortisation of intangible assets due to business combination	3.2	3.2
Legal costs	0.4	1.9
Restructuring costs	2.3	1.0
Fair value adjustments on currency hedge <sup>2</sup>	0.5	(0.9)
Non-recurring tax benefits <sup>1</sup>	(1.1)	(1.2)
	7.5	7.1
<b>Adjusted PAT</b>	<b>39.2</b>	<b>27.9</b>

<sup>1</sup> Adjusted for tax on specific items relating to completed acquisitions of £0.1 million (2019: £0.2 million), costs related to ERP implementation of £0.3 million (2019: £0.4 million), legal costs of £0.1 million (2019: £0.5 million), restructuring costs of £0.5 million (2019: £0.2 million) and fair value loss on currency hedge of £0.1 million (2019: gain £0.1 million)

<sup>2</sup> From 2020 fair value adjustments on currency hedges are included as a specific item as they are not considered representative of the Group's performance and are excluded from adjusted results. For consistency, the comparative figures have been updated to include this item.

## 5. EMPLOYEE COMPENSATION (INCLUDING DIRECTORS)

£m	2020	2019
Wages and salaries	60.7	51.4
Employers' contribution to defined contribution plans (Note 27)	8.1	7.6
Share option expense	1.5	0.7
	70.3	59.7
Less: amount capitalised in intangible assets	(6.9)	(6.8)
<b>Total</b>	<b>63.4</b>	<b>52.9</b>

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

## 6. FINANCE CHARGE

£m	2020	2019
Interest income	*	*
Interest expense on bank loans and overdrafts		
— Bank borrowings	1.5	2.7
— Lease liabilities	0.3	0.3
	1.8	3.0
Unwinding of discount for asset retirement obligation	*	*
Unwinding of discount for accrued consideration	*	*
	1.8	3.0
Less: amount capitalised in intangible assets and property, plant and equipment	(0.1)	(0.3)
<b>Amount recognised in profit or loss</b>	<b>1.7</b>	<b>2.7</b>

\* Balances are less than £100,000.

Finance expenses on general financing were capitalised at a rate of 1.2% per annum (2019: 4.0% per annum).

## 7. EXPENSES BY NATURE

£m	2020	2019
<b>Profit after tax is after charging:</b>		
Amortisation of intangible assets	8.1	7.4
Depreciation of property, plant and equipment	4.0	3.6
Depreciation of right-of-use assets	1.9	1.7
Employee compensation (Note 5)	63.4	52.9
Foreign exchange loss	1.0	0.8
Fair value adjustment on currency hedge	0.5	(0.9)
(Gain) on foreign exchange forwards	-	(0.4)
Purchases of inventories	110.1	78.6
Changes in inventories	(10.1)	12.4
Fees payable to the Group's Auditor for the audit of the Group's accounts	0.6	0.5
Fees payable to the Group's Auditor for non-audit services	-	0.1
Fees payable to other audit firm for audit related services	*	*
Tax fees payable to other firms for services provided to the Group	0.2	0.1
Lease expense (Note 14)	0.2	0.4
Finance charge (Note 6)	1.7	2.7
Recruitment	1.2	0.6
Information systems	2.9	2.5
Consultancy fees	3.7	3.0
Travel and entertainment	0.6	2.4
Costs related to ERP implementation	1.9	2.2
Legal costs	0.4	1.9
Restructuring costs	2.3	1.0
Other charges	3.6	2.4
<b>Total</b>	<b>198.2</b>	<b>175.9</b>

\* Balances are less than £100,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. INCOME TAXES

£m	2020	2019
Singapore corporation tax		
— current year	4.5	2.5
— over-provision in prior financial year	(0.1)	(0.2)
Overseas corporation tax		
— current year	0.5	0.9
— over-provision in prior financial year	(1.4)	(1.0)
Withholding tax	0.1	0.2
Current income tax	3.6	2.4
Deferred income tax		
— current year	(0.1)	1.0
— under/(over)-provision in prior financial years	0.5	(0.2)
<b>Income tax expense</b>	<b>4.0</b>	<b>3.2</b>

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

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:

£m	2020	2019
<b>Profit before tax</b>	<b>35.7</b>	<b>24.0</b>
Tax on profit at standard Singapore tax rate of 17% (2019: 17%)	6.1	4.1
Tax incentives	(0.6)	(0.5)
Higher rates of overseas corporation tax	0.5	0.5
Deduction for employee share options	(1.2)	*
Non-deductible expenditure	0.3	0.3
Non-taxable income	(0.2)	–
Over provision of tax in prior financial years	(1.0)	(1.4)
Withholding tax	0.1	0.2
<b>Income tax expense</b>	<b>4.0</b>	<b>3.2</b>

There is no (2019: £nil) tax (charge)/credit relating to components of other comprehensive income.

Aggregate deferred tax asset arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly (debited) or credited to equity:

£m	2020	2019
Deferred tax asset – share option plan expenses	*	1.1
<b>Total</b>	<b>*</b>	<b>1.1</b>

\* Balances are less than £100,000.

## 9. DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	2020		2019	
	Pence per share	£m	Pence per share	£m
Prior year third quarter dividend paid	20.0*	3.8	19.0	3.6
Prior year final dividend paid	-	-	33.0	6.3
First quarter dividend paid	-	-	17.0*	3.3
Second quarter dividend paid	18.0^	3.5	18.0*	3.5
<b>Total</b>	<b>38.0</b>	<b>7.3</b>	87.0	16.7

\* Dividends in respect of 2019 (55.0p).

^ Dividends in respect of 2020 (74.0p).

The third quarter dividend of 20.0 pence per share was paid on 15 January 2021. The proposed final dividend of 36.0 pence per share for the year ended 31 December 2020 is subject to approval by Shareholders at the Annual General Meeting scheduled for 20 April 2021 and has not been included as a liability in these financial statements. It is proposed that the final dividend be paid on 28 April 2021 to members on the register as at 26 March 2021.

## 10. EARNINGS PER SHARE

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

£m	2020	2019
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to equity holders of the Company)	31.5	20.5
<b>Earnings for earnings per share</b>	<b>31.5</b>	<b>20.5</b>
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	19,326	19,154
Effect of potentially dilutive share options (thousands)	327	368
<b>Weighted average number of shares for the purposes of dilutive earnings per share (thousands)</b>	<b>19,653</b>	<b>19,522</b>
<b>Earnings per share from operations</b>		
<b>Basic</b>	<b>163.0p</b>	107.0p
<b>Basic adjusted*</b>	<b>201.8p</b>	144.1p
<b>Diluted</b>	<b>160.3p</b>	105.0p
<b>Diluted adjusted*</b>	<b>198.4p</b>	141.4p

\* Reconciliation to compute the diluted adjusted earnings from operations is as per below:

£m	2020	2019
Earnings for the purposes of basic and diluted earnings per share (profit attributable to equity holders of the Company)	31.5	20.5
Amortisation of intangible assets due to business combination	3.2	3.2
Acquisition costs	0.3	0.9
Non-recurring tax benefits	(1.1)	(1.2)
Costs related to ERP implementation	1.9	2.2
Legal costs	0.4	1.9
Restructuring costs	2.3	1.0
Fair value adjustments on currency hedge	0.5	(0.9)
<b>Adjusted earnings</b>	<b>39.0</b>	27.6

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 11. GOODWILL

£m	2020	2019
Cost		
At 1 January	53.2	54.1
Accrued consideration (Note 21)	(0.3)	0.3
Foreign currency translation	(0.7)	(1.2)
<b>At 31 December</b>	<b>52.2</b>	<b>53.2</b>
<b>Accumulated impairment loss</b>		
<b>At 31 December</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>		
<b>At 31 December</b>	<b>52.2</b>	<b>53.2</b>

Goodwill arises on the consolidation of business/subsidiary undertakings.

For the purpose of impairment testing, goodwill has been allocated to the cash-generating units according to operating segments identified in Note 4.

The recoverable amount of the goodwill is determined from value-in-use calculations.

Key assumptions used for value-in-use calculations:

	31 December 2020			31 December 2019		
	Growth rate <sup>1</sup>	Discount rate <sup>2</sup>	Terminal growth rate	Growth rate <sup>1</sup>	Discount rate <sup>2</sup>	Terminal growth rate
North America	5.3%	11.9%	2.0%	8.4%	13.0%	2.0%
Europe	2.4%	11.0%	2.0%	4.0%	12.7%	2.0%
Asia	7.8%	14.0%	2.0%	8.8%	14.0%	2.0%

<sup>1</sup> Compound annual growth rate of projected revenue over five years

<sup>2</sup> Pre-tax discount rate applied to the pre-tax cash flow projections

The Group prepares cash flow forecasts derived from the most recent financial results and takes into account industry growth forecasts for five years and estimates cash flows based on these forecasts.

A sensitivity analysis was performed for each of the CGUs or group of CGUs and other than for the North America CGU, management concluded that no reasonably possible change in any of the key assumptions would result in the carrying value of the CGU to exceed its recoverable amount.

The impairment test carried out at 31 December 2020 for the Europe CGU, which includes 18.3% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is £45.5 million or 97.2% higher than its carrying amount. A reasonably possible change of a 19.0% increase in the discount rate or a decrease in growth rate by 4.9% would result in the recoverable amount of the Europe CGU being equal to its carrying value.

The impairment test carried out at 31 December 2020 for the North America CGU, which includes 78.8% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is £126.4 million or 28.0% higher than its carrying amount. A reasonably possible change of a 3.7% increase in the discount rate or a decrease in growth rate by 0.9% would result in the recoverable amount of the North America CGU being equal to its carrying value.

## 12. INTANGIBLE ASSETS

£m	Development costs	Brand	Trademarks	Technology	Customer relationships	Customer contracts	Intangible software	Intangible software under development	Total
<b>Cost</b>									
At 1 January 2019	36.4	1.0	1.0	5.2	18.6	0.6	0.2	1.7	64.7
Additions	8.0	-	*	-	-	-	0.2	3.4	11.6
Transfer	-	*	*	*	-	-	4.9	(4.9)	-
Reclassification from property, plant and equipment	-	-	-	-	-	-	2.3	-	2.3
Foreign currency translation	(1.2)	*	*	(0.3)	(0.8)	*	(0.2)	(0.2)	(2.7)
<b>At 31 December 2019</b>	<b>43.2</b>	<b>1.0</b>	<b>1.0</b>	<b>4.9</b>	<b>17.8</b>	<b>0.6</b>	<b>7.4</b>	<b>-</b>	<b>75.9</b>
Additions	7.7	-	-	-	-	-	0.3	2.9	10.9
Disposal	(1.2)	-	-	-	-	-	-	-	(1.2)
Transfer	-	-	-	-	-	-	1.3	(1.3)	-
Foreign currency translation	(1.3)	(0.1)	0.1	*	(0.6)	*	(0.3)	(0.1)	(2.3)
<b>At 31 December 2020</b>	<b>48.4</b>	<b>0.9</b>	<b>1.1</b>	<b>4.9</b>	<b>17.2</b>	<b>0.6</b>	<b>8.7</b>	<b>1.5</b>	<b>83.3</b>
<b>Amortisation</b>									
At 1 January 2019	16.3	0.1	0.9	0.8	2.4	0.6	*	-	21.1
Charge for the year	3.9	0.1	-	0.6	2.5	-	0.3	-	7.4
Transfer	-	*	-	*	-	-	-	-	-
Reclassification from property, plant and equipment	-	-	-	-	-	-	1.6	-	1.6
Foreign currency translation	(0.4)	*	-	*	(0.2)	*	*	-	(0.6)
<b>At 31 December 2019</b>	<b>19.8</b>	<b>0.2</b>	<b>0.9</b>	<b>1.4</b>	<b>4.7</b>	<b>0.6</b>	<b>1.9</b>	<b>-</b>	<b>29.5</b>
Charge for the year	4.1	*	-	0.6	2.5	-	0.9	-	8.1
Transfer	-	-	-	-	-	-	-	-	-
Foreign currency translation	(0.6)	0.1	0.1	*	(0.4)	*	(0.1)	-	(0.9)
<b>At 31 December 2020</b>	<b>23.3</b>	<b>0.3</b>	<b>1.0</b>	<b>2.0</b>	<b>6.8</b>	<b>0.6</b>	<b>2.7</b>	<b>-</b>	<b>36.7</b>
<b>Carrying amount</b>									
<b>At 31 December 2020</b>	<b>25.1</b>	<b>0.6</b>	<b>0.1</b>	<b>2.9</b>	<b>10.4</b>	<b>-</b>	<b>6.0</b>	<b>1.5</b>	<b>46.6</b>
At 31 December 2019	23.4	0.8	0.1	3.5	13.1	-	5.5	-	46.4

\* Balances are less than £100,000.

The amortisation period for development costs incurred on the Group's products varies between three 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.

The remaining amortisation period for customer relationships ranges from two to eight years.

The Group's trademarks used to identify and distinguish the Group's name and logo have a carrying amount of £0.1 million (2019: £0.1 million). The Group intends to renew the trademarks continuously and evidence supports its ability to do so, based on its past experience. An analysis of market and competitive trends provides evidence that the trademarks will generate net cash inflows for the Group for an indefinite period. Therefore, the trademarks are carried at cost without amortisation, but is tested for impairment on an annual basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

£m	Freehold land	Buildings	Plant and equipment	Motor vehicles	Building improvements	Projects under development	Total
<b>Cost</b>							
At 1 January 2019	1.6	14.5	26.1	0.5	5.3	3.2	51.2
Additions	-	-	2.1	0.1	1.2	1.3	4.7
Disposals	-	-	(1.6)	(0.2)	*	-	(1.8)
Transfer	-	3.5	1.0	-	*	(4.5)	-
Reclassification to intangible assets	-	-	(2.1)	-	(0.2)	*	(2.3)
Foreign currency translation	*	(0.7)	(1.0)	*	(0.2)	*	(1.9)
<b>At 31 December 2019</b>	<b>1.6</b>	<b>17.3</b>	<b>24.5</b>	<b>0.4</b>	<b>6.1</b>	<b>-</b>	<b>49.9</b>
Additions	-	*	1.9	*	0.5	1.6	4.0
Disposals	-	-	(0.8)	(0.1)	*	-	(0.9)
Transfer	-	-	1.6	-	-	(1.6)	-
Reclassification to intangible assets	-	-	-	-	-	-	-
Foreign currency translation	(0.1)	(0.2)	(0.6)	*	(0.3)	*	(1.2)
<b>At 31 December 2020</b>	<b>1.5</b>	<b>17.1</b>	<b>26.6</b>	<b>0.3</b>	<b>6.3</b>	<b>-</b>	<b>51.8</b>
<b>Depreciation</b>							
At 1 January 2019	-	2.9	15.7	0.3	2.2	-	21.2
Charge for the year	-	0.3	2.7	0.1	0.5	-	3.6
Disposals	-	-	(1.6)	(0.1)	(0.1)	-	(1.8)
Transfer	-	-	*	-	*	-	-
Reclassification to intangible assets	-	-	(1.6)	-	-	-	(1.6)
Foreign currency translation	-	(0.1)	(0.6)	*	*	-	(0.7)
<b>At 31 December 2019</b>	<b>-</b>	<b>3.1</b>	<b>14.6</b>	<b>0.3</b>	<b>2.6</b>	<b>-</b>	<b>20.6</b>
Charge for the year	-	0.5	2.8	0.1	0.6	-	4.0
Disposals	-	-	(0.7)	(0.1)	*	-	(0.8)
Transfer	-	-	-	-	-	-	-
Reclassification to intangible assets	-	-	-	-	-	-	-
Foreign currency translation	-	*	(0.2)	(0.1)	(0.1)	-	(0.4)
<b>At 31 December 2020</b>	<b>-</b>	<b>3.6</b>	<b>16.5</b>	<b>0.2</b>	<b>3.1</b>	<b>-</b>	<b>23.4</b>
<b>Carrying amount</b>							
<b>At 31 December 2020</b>	<b>1.5</b>	<b>13.5</b>	<b>10.1</b>	<b>0.1</b>	<b>3.2</b>	<b>-</b>	<b>28.4</b>
At 31 December 2019	1.6	14.2	9.9	0.1	3.5	-	29.3

\* Balances are less than £100,000.

## 14. LEASES

### a. Right-of-use assets

Carrying amounts and depreciation charge during the year

£m	Leasehold land and buildings	Equipment and motor vehicles	Total
<b>Cost</b>			
At 1 January 2019	6.9	0.1	7.0
Additions	1.4	0.3	1.7
Disposals	*	-	-
Depreciation charge during the year	(1.7)	*	(1.7)
Foreign currency translation	(0.3)	(0.1)	(0.4)
<b>At 31 December 2019</b>	<b>6.3</b>	<b>0.3</b>	<b>6.6</b>
Additions	0.5	0.3	0.8
Disposals	(0.3)	(0.1)	(0.4)
Depreciation charge during the year	(1.7)	(0.2)	(1.9)
Foreign currency translation	*	*	*
<b>At 31 December 2020</b>	<b>4.8</b>	<b>0.3</b>	<b>5.1</b>

\* Balances are less than £100,000.

### b. Lease expense not capitalised in lease liabilities

£m	2020	2019
Lease expense – short-term leases	0.2	0.3
Lease expense – low-value leases	*	0.1
<b>Total (Note 7)</b>	<b>0.2</b>	<b>0.4</b>

c. Total cash outflow for all leases in 2020 was £2.2 million (2019: £2.2 million).

### d. Future cash outflows which are not capitalised in lease liabilities

#### EXTENSION OPTIONS

The leases for certain office spaces contain extension periods, for which the related lease payments have not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. All the extensions are exercisable by the Group and not by the lessor.

### e. Nature of the Group's leasing activities

#### LEASEHOLD LAND AND BUILDINGS

The Group has made an upfront payment to secure the right-of-use of two 50-year leasehold lands, which are used in the Group's production operations. The Group also leases office space for the purpose of back office operations, sales activities, and warehousing activities.

#### EQUIPMENT AND MOTOR VEHICLES

The Group leases vehicles to render logistic services, and leases copier machines for back office use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15. SUBSIDIARIES

Details of principal subsidiaries as at 31 December 2020, all of which are consolidated, are as follows:

Name of Subsidiary	Place of incorporation/ ownership (or registration) and operation	Proportion of ownership 2020 (%)	Proportion of ownership 2019 (%)	Statutory Auditor of subsidiaries
<b>Held by the Company</b>				
XP Power Plc	UK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP
<b>Held by the Group</b>				
XP PLC	UK	100	100	PricewaterhouseCoopers LLP
XP Power Holdings Limited	UK	100	100	PricewaterhouseCoopers LLP
XP Power AG	Switzerland	100	100	Karpf Treuhand & Revisions AG
Powersolve Electronics Limited*	UK	89.9	89.9	PricewaterhouseCoopers LLP
XP Power Srl	Italy	100	100	Exempted to be audited by local statutory law
XP Power ApS	Denmark	100	100	Bierholm
XP Power Sweden AB	Sweden	100	100	Rodl & Partner Nordic AB
XP Power GmbH	Germany	100	100	Exempted to be audited by local statutory law
XP Power SA	France	100	100	Deloitte
XP Power Norway AS	Norway	100	100	BDO AS
XP Power International Limited	UK	100	100	Exempted to be audited by local statutory law
Forx, Inc.	Delaware	100	100	Exempted to be audited by local statutory law
XP Power LLC	USA	100	100	Exempted to be audited by local statutory law
XP Power (Shanghai) Co., Limited	China	100	100	Shanghai Jahwa CPAs
XP Power (Hong Kong) Limited	Hong Kong	100	100	PricewaterhouseCoopers Limited
	Vietnam			PricewaterhouseCoopers (Vietnam) Limited
XP Power (Vietnam) Co., Limited		100	100	
XP Power Singapore Manufacturing Pte. Ltd.	Singapore	100	100	PricewaterhouseCoopers LLP
XP Power (Israel) Ltd	Israel	100	100	Ernst and Young Solutions LLP
XP Power Japan K.K. <sup>1</sup>	Japan	-	100	Exempted to be audited by local statutory law
Hanpower Co., Ltd*	South Korea	66	51	Exempted to be audited by local statutory law

<sup>1</sup> XP Power Japan K.K. was dissolved and certified on 16 December 2020.

\* Refer to Note 21.

## 16. CASH AND CASH EQUIVALENTS

£m	2020	2019
Cash at bank and on hand	13.8	11.1
Short-term bank deposits	0.1	0.1
<b>Total</b>	<b>13.9</b>	<b>11.2</b>

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

£m	2020	2019
Cash at bank balances (as above)	13.9	11.2
<b>Cash and cash equivalents per consolidated cash flow statement</b>	<b>13.9</b>	<b>11.2</b>

## 17. INVENTORIES

£m	2020	2019
Goods for resale	24.6	18.6
Raw materials	22.2	21.8
Work in progress	7.4	3.7
<b>Total</b>	<b>54.2</b>	<b>44.1</b>

The cost of inventories recognised as an expense and included in “cost of sales” amounts to £100.0 million (2019: £91.0 million).

## 18. TRADE RECEIVABLES

£m	2020	2019
Current assets		
Trade receivables	30.7	34.9
Loss allowance (Note 30 (d))	(0.5)	(0.1)
<b>Total</b>	<b>30.2</b>	<b>34.8</b>

The average credit period taken on sales of goods is 47 days (2019: 64 days). No interest is charged on the outstanding receivables balance. The carrying amounts of trade receivables approximate their fair values.

## 19. OTHER CURRENT ASSETS

£m	2020	2019
Prepayments	3.0	2.1
Deposits	0.3	0.3
VAT receivables	0.5	0.4
Rights to returned goods	0.5	0.2
Other receivables	0.3	0.3
<b>Total</b>	<b>4.6</b>	<b>3.3</b>

Other current assets are not impaired as at 31 December 2020 and 31 December 2019.

## 20. TRADE AND OTHER PAYABLES

£m	2020	2019
Trade payables	12.0	12.7
Other taxes	3.5	2.3
Other creditors and accruals	11.8	9.8
Refund liabilities	0.9	0.4
<b>Total</b>	<b>28.2</b>	<b>25.2</b>

Trade 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.

The refund liabilities and rights to returned goods (Note 19) are recognised for products expected to be returned from customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21. ACCRUED CONSIDERATION

£m	2020	2019
At 1 January	1.7	1.4
Movement in provision during the year	(0.1)	0.3
Payment	(0.6)	-
<b>At 31 December</b>	<b>1.0</b>	<b>1.7</b>

£m	2020	2019
Current portion	-	0.5
Non-current portion	1.0	1.2
<b>At 31 December</b>	<b>1.0</b>	<b>1.7</b>

The Group owns 89.9% (2019: 89.9%) of the shares of Powersolve Electronics Limited ("Powersolve") and entered into an amended agreement on 29 October 2016 to purchase the remaining 10.1% of the shares in 2022. On 26 February 2021, the Group entered into a deed of variation to amend the purchase of the remaining 10.1% of shares in 2022 to purchase 0.7% of the shares in 2022 and another 9.4% in 2025.

The Group entered into an agreement on 20 May 2015 with Hanpower Co Ltd ("Hanpower") to purchase an additional 15.0% of the shares in 2020 and another 15% of the shares in 2025. During the year, the transaction to purchase the additional 15% of shares has been completed and the Group now owns 66% (2019: 51%) of the shares of Hanpower.

The commitment to purchase the remaining ownership interests has been accounted for as accrued consideration and is calculated based on the expected future payment which will be based on a predefined multiple of the average earnings for three years.

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 for Powersolve. For Hanpower, the amount that is payable under the agreement is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to equity. The liability is subsequently accreted through equity up to the redemption amount that is payable in 2025.

## 22. BORROWINGS AND LEASE LIABILITIES

### a. Bank borrowings

The borrowings are repayable as follows:

£m	2020	2019
On demand or within one year	-	-
In the second year	-	-
In the third year	-	-
In the fourth year	31.8	52.5
<b>Total</b>	<b>31.8</b>	<b>52.5</b>

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

£m	2020	2019
Bank loans (in USD)	31.8	52.5
<b>Total</b>	<b>31.8</b>	<b>52.5</b>

### UNDRAWN BORROWING FACILITIES

£m	2020	2019
Expiring beyond one year	76.9	37.1
<b>Total</b>	<b>76.9</b>	<b>37.1</b>

The facility has no fixed repayment terms until maturity. The revolving loan is priced at LIBOR plus a margin of 1.0%-1.2% (2019: 1.2%) for the utilisation facility and a margin of 0.4%-0.5% (2019: 0.4%-0.5%) for the unutilised facility.

There is no drawdown on bank overdrafts (2019: £nil) during the year.

The fair value of the Group's bank loans and overdrafts approximates their book value.

## 22. BORROWINGS AND LEASE LIABILITIES (CONTINUED)

### b. Lease liabilities

£m	2020	2019
Current	1.5	1.6
Non-current	3.4	4.8
<b>Total</b>	<b>4.9</b>	<b>6.4</b>

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

£m	1 January 2020	Principal and interest payments	Non-cash changes				Foreign exchange movement	31 December 2020
			Adoption of IFRS 16	Addition during the year	Disposal during the year	Interest expense		
Bank loans	52.5	(21.7)	-	-	-	1.5	(0.5)	31.8
Lease liabilities	6.4	(2.0)	-	0.7	(0.4)	0.3	(0.1)	4.9

£m	1 January 2019	Principal and interest payments	Non-cash changes				Foreign exchange movement	31 December 2019
			Adoption of IFRS 16	Addition during the year	Disposal during the year	Interest expense		
Bank loans	63.5	(11.2)	-	-	-	2.7	(2.5)	52.5
Lease liabilities	-	(1.8)	6.4	1.6	-	0.3	(0.1)	6.4

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

### 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. These contracts were taken up to protect against exchange rate movements on future purchases of goods. Hedge accounting has not been applied to these contracts.

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

December 2020 £m	Assets		Liabilities	
	Contract notional amount	Fair value asset	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts				
Current portion	5.8	0.3	2.4	(0.1)
<b>Total</b>	<b>5.8</b>	<b>0.3</b>	<b>2.4</b>	<b>(0.1)</b>

December 2019 £m	Assets		Liabilities	
	Contract notional amount	Fair value asset	Contract notional amount	Fair value (liability)
Forward foreign exchange contracts				
Current portion	11.3	0.6	-	-
<b>Total</b>	<b>11.3</b>	<b>0.6</b>	<b>-</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24. DEFERRED INCOME TAXES

The movement in deferred income tax assets and liabilities during the financial year is as follows:

### Deferred income tax assets

£m	Share-based payment	Tax losses	Other temporary differences	Total
At 1 January 2019	0.6	-	-	0.6
Credit to statement of comprehensive income	0.1	-	-	0.1
Charge to equity	1.1	-	-	1.1
<b>At 31 December 2019</b>	<b>1.8</b>	<b>-</b>	<b>-</b>	<b>1.8</b>
Credit to statement of comprehensive income	0.5	0.4	0.2	1.1
<b>At 31 December 2020</b>	<b>2.3</b>	<b>0.4</b>	<b>0.2</b>	<b>2.9</b>

### Deferred income tax liabilities

£m	Accelerated tax depreciation	Intangible assets amortisation	Capitalised development costs	Other temporary differences	Total
At 1 January 2019	(0.6)	(0.9)	(4.4)	1.2	(4.7)
(Charge)/credit to statement of comprehensive income	(0.4)	(0.2)	(0.9)	0.6	(0.9)
Foreign currency translation	-	-	0.2	(0.1)	0.1
<b>At 31 December 2019</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(5.1)</b>	<b>1.7</b>	<b>(5.5)</b>
(Charge)/credit to statement of comprehensive income	(0.8)	(0.3)	(0.6)	0.2	(1.5)
Foreign currency translation	*	*	0.2	*	0.3
<b>At 31 December 2020</b>	<b>(1.8)</b>	<b>(1.4)</b>	<b>(5.5)</b>	<b>1.9</b>	<b>(6.7)</b>

\* Balance less than £100,000.

## 25. SHARE CAPITAL AND RESERVES

### Called up share capital

£m	2020	2019
Allotted and fully paid 19,642,296 ordinary shares (2019: 19,242,296)	<b>27.2</b>	27.2

### Reserve

The reserves of the Group comprise the following balances:

£m	2020	2019
Merger reserve	<b>0.2</b>	0.2
Share option reserve	<b>4.1</b>	3.9
Treasury shares reserve	<b>(0.1)</b>	(0.5)
Translation reserve	<b>(3.8)</b>	(0.2)
Other reserve	<b>3.6</b>	(0.8)
Retained earnings	<b>132.6</b>	108.4
<b>Balance at 31 December</b>	<b>136.6</b>	111.0

Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares of subsidiaries acquired under common control.

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of share options.

Treasury shares reserve represents the amount of treasury shares held by the Group.

Treasury shares held by the Group's Employee Share Ownership Plan (ESOP)	2020	2019	2020	2019
Beginning of the financial year	<b>46,090</b>	79,740	<b>(0.5)</b>	(1.0)
Shares issued and held on behalf by ESOP Trust	<b>400,00</b>	0	-	0.0
Employees shares purchase under the DPS held on behalf by ESOP Trust	<b>12,500</b>	0	-	0.0
Shares distributed in the year	<b>(301,630)</b>	(33,650)	<b>0.4</b>	0.5
<b>End of the financial year</b>	<b>156,960</b>	46,090	<b>(0.1)</b>	(0.5)

During the year, the Company issued 400,000 ordinary shares at 1 pence per share and held under ESOP Trust.

## 25. SHARE CAPITAL AND RESERVES (CONTINUED)

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves comprises future transactions with the non-controlling interest. The amount that may become payable under the agreement is initially recognised at the present value of the redemption amount within liabilities with a corresponding change directly to equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the agreement first becomes exercisable. The Group has an agreement with the non-controlling shareholders of its Hanpower Co. Ltd ("Hanpower") subsidiary to purchase an additional 15.0% of the shares in 2020 and another 15.0% of the shares in 2025.

## 26. CASH FLOW FROM MOVEMENT IN WORKING CAPITAL

The following adjustments have been made to reconcile from the movement in balance sheet heading to the amount presented in the cash flow from the movement in working capital. This is in order to more appropriately reflect the cash impact of the underlying transactions.

2020 £m	Inventories (Note 17)	Trade and other receivables (Note 18 and 19)	Trade and other payables	Provisions	Total working capital movement
Trade and other payables (Note 20)	-	-	(28.2)	-	
Accrued consideration (Note 21)	-	-	(1.0)	-	
Provisions	-	-	-	(0.1)	
At 31 December 2020	54.2	34.8	(29.2)	(0.1)	
At 31 December 2019	44.1	38.1	(26.9)	(0.1)	
Balance sheet movement	(10.1)	3.3	2.3	*	(4.5)
Provision for doubtful debts	-	(0.4)	-	-	(0.4)
Payment of accrued considerations	-	-	0.6	-	0.6
Effects of currency translations	(2.2)	(0.2)	0.4	-	(2.0)
<b>Movements as shown in Consolidated Cash Flow Statement</b>	<b>(12.3)</b>	<b>2.7</b>	<b>3.3</b>	<b>*</b>	<b>(6.3)</b>

2019 £m	Inventories (Note 17)	Trade and other receivables (Note 18 and 19)	Trade and other payables	Provisions	Total working capital movement
Trade and other payables (Note 20)	-	-	(25.2)	-	
Accrued consideration (Note 21)	-	-	(1.7)	-	
Provisions	-	-	-	(0.1)	
At 31 December 2019	44.1	38.1	(26.9)	(0.1)	
At 31 December 2018	56.5	36.3	(23.8)	(0.5)	
Balance sheet movement	12.4	(1.8)	3.1	(0.4)	13.3
Increase in interest accruals	-	-	0.3	-	0.3
Accrued considerations on acquisitions	-	-	(0.2)	-	(0.2)
Effects of currency translations	(2.1)	(1.9)	1.3	(0.1)	(2.8)
<b>Movements as shown in Consolidated Cash Flow Statement</b>	<b>10.3</b>	<b>(3.7)</b>	<b>4.5</b>	<b>(0.5)</b>	<b>10.6</b>

## 27. DEFINED CONTRIBUTION PLANS

The total cost recognised is £8.1 million (2019: £7.6 million) for the Group.

In the USA, the total cost charged to the statement of comprehensive income of £4.8 million (2019: £4.1 million) represents the Group's defined contribution.

In the United Kingdom and Europe, the Group operates defined contribution pension schemes for its employees with contributions amounting to £2.0 million (2019: £2.1 million).

In Asia, the Group contributes to the defined contribution plans regulated and managed by the governments of the countries in which the Group operates. The Group's contribution to the defined contribution plans is charged to the statement of comprehensive income in the period to which the contributions relate. The total cost charged to the statement of comprehensive income was £1.3 million (2019: £1.4 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. 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.

As at 31 December 2020, the Company's Employee Share Ownership Plan provided nil (2019: nil) interest-free loans to Directors for the deferred payment share scheme. The detailed information is provided for in the Directors' Remuneration Report on pages 116–131.

The remuneration of the Directors of the Group who are considered to be key management 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 116–131.

£m	2020	2019
Short-term employee benefits	1.9	1.3
Post-employment benefits	0.1	*
Share option expense	0.6	0.5
<b>Total Directors' remuneration</b>	<b>2.6</b>	<b>1.8</b>

\* Balances are less than £100,000.

## 29. SHARE-BASED PAYMENTS

### Share Option Plans

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

Number of shares	Exercise price (pence)	Grant date	Expiry date
10,000	946	10 October 2012*	10 October 2022
105,145	1,543	23 February 2016#	23 February 2026
<b>115,145</b>			

\* 2012 Approved option scheme has been fully vested.

# 50% of 2016 Approved option scheme vested in 2019 and 50% vested in 2020.

	2020		2019	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of the year	389,583	1,358	510,750	1,391
Granted during the year	-	-	-	-
Forfeited during the year	(4,798)	-	(89,120)	-
Exercised during the year	(269,640)	(1,301)	(32,047)	(1,346)
<b>Outstanding at the end of the year</b>	<b>115,145</b>	<b>1,491</b>	<b>389,583</b>	<b>1,358</b>
Exercisable at the end of the year	115,145	1,491	252,392	1,261

The weighted average share price at the date of exercise for the share options exercised during the period was £38.44 (2019: £25.37). The options outstanding at 31 December 2020 had a weighted average exercise price of £14.91 (2019: £13.58), and a weighted average remaining contractual life of 4.8 years.

For options granted in 2016, the Group has taken a charge of £14,000 (2019: £0.1 million). The fair value of options was determined using the Black-Scholes Model with a share price of £15.43 and a weighted average exercise price of £15.43, standard deviation of expected share returns of 0.292, and an annual risk free interest rate of 0.28%.

The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of the Company's share price over the last year.

## 29. SHARE-BASED PAYMENTS (CONTINUED)

### Long-Term Incentive Plan ("LTIP")

The Group has introduced a LTIP scheme to replace the Share Option Plan. Under the scheme, conditional awards of share options are made to the scheme participants at nil or nominal cost or deferred cash.

Number of shares	Exercise price (pence)	Grant date	Expiry date
39,400	1	30 May 2017 *	30 May 2022
2,250	1	12 October 2017	12 October 2022
8,000	1	1 November 2017	1 November 2022
55,107	1	16 May 2018	16 May 2023
800	1	4 September 2018	4 September 2023
124,216	1	8 March 2019	8 March 2024
71,996	1	22 April 2020	22 April 2024
<b>301,769</b>			

\* 50% of May, October and November 2017 LTIPs vested in 2020 and 50% will vest in 2021.

At the vesting date, the share award will either vest, in full or in part, or lapse depending on the outcome of the performance conditions. The performance conditions of the awards are based on the growth in Earnings Per Share ("EPS") and the Total Shareholder Return ("TSR") of the Group measured against that of the FTSE 250 over the Performance Period. The Group has taken a charge of £1.2 million (2019: £0.3 million) for the LTIPs granted in 2017, 2018, 2019, and 2020. The fair value of the equity-settled LTIP options was calculated at the grant date using the Monte Carlo model and the Black-Scholes model based on the assumptions below.

	LTIP			
	2020	2019	2018	2017
Options granted	<b>71,996</b>	123,747	54,999	49,650
Fair value at grant date	<b>£22.26</b>	£13.94	£24.84	£17.13
Assumption used:				
Share price	<b>£30.90</b>	£20.50	£35.50	£26.77
Exercise price	<b>£0.01</b>	£0.01	£0.01	£0.01
Expected volatility	<b>36.56%</b>	29.44%	27.66%	27.69%
Expected option life	<b>3 years</b>	3 years	3 years	3 years
Expected dividend yield	<b>1.78%</b>	3.74%	2.59%	3.75%
Risk-free interest rate	<b>0.33%</b>	1.21%	1.50%	0.99%

Volatility was estimated based on the historical volatility of the shares over a three-year period prior to grant date.

	2020		2019	
	Number of LTIP options	Weighted average exercise price (pence)	Number of LTIP options	Weighted average exercise price (pence)
Outstanding at beginning of the year	<b>223,766</b>	<b>1</b>	104,649	1
Granted during the year	<b>73,373</b>	<b>1</b>	123,747	1
Forfeited during the year	<b>(9,933)</b>	<b>(1)</b>	(4,630)	(1)
Exercised during the year	<b>(12,234)</b>	<b>(1)</b>	-	-
<b>Outstanding at the end of the year</b>	<b>274,972</b>	<b>1</b>	223,766	1
Exercisable at the end of the year	<b>15,295</b>	<b>1</b>	-	-

50% of the share awards will vest after the third year and the remaining 50% of the share awards will vest after the fourth year. Upon vesting, employees will receive one share for each vested share award.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 29. SHARE-BASED PAYMENTS (CONTINUED)

### Restricted Share Plan ("RSP")

Restricted shares award has been granted under the Company's RSP 2020. Under the RSP, restricted shares will not have performance conditions.

Number of shares	Exercise price (pence)	Grant date	Expiry date
3,673	1	22 April 2020	22 April 2024
3,532	1	22 April 2020	22 April 2026
<b>7,205</b>			

The award will vest between three to five years from the date of award. The Group has taken a charge of £32,000 (2019: £nil) for the RSPs granted in 2020. The fair value of the equity-settled RSP options was calculated at the grant date using the Black-Scholes model based on the assumptions below.

	RSP	
	2020 (Three-year vesting period)	2020 (Five-year vesting period)
Options granted	3,673	3,532
Fair value at grant date	£28.24	£26.60
Assumption used:		
Share price	£30.90	£30.90
Exercise price	£0.01	£0.01
Expected volatility	36.56%	36.56%
Expected option life	3 years	5 years
Expected dividend yield	3.00%	3.00%
Risk-free interest rate	0.33%	0.33%

Volatility was estimated based on the historical volatility of the shares over a four-year period prior to grant date.

	2020	
	Number of RSP options	Weighted average exercise price (pence)
Outstanding at beginning of the year	-	-
Granted during the year	7,205	1
Forfeited during the year	-	-
Exercised during the year	-	-
<b>Outstanding at the end of the year</b>	<b>7,205</b>	<b>1</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

## 30. 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.

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 buyback as well as the issue of new debt or the redemption of existing debt.

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Currency risk

The Group operates in North America, Europe and Asia 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.

Group's risk management policy is to hedge known and certain forecast transactions exposures based on historical experience and projections.

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 that are dominated by US Dollar transactions. The Group does not hedge this translational risk as there is no underlying mismatch of foreign currencies as the translation is merely performed for reporting the Group's results in Sterling.

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

£m	GBP	EUR	USD	Others	Total
<b>At 31 December 2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4.6	0.8	7.2	1.3	13.9
Trade receivables	1.8	2.2	25.7	0.5	30.2
Other current assets	0.1	*	0.3	0.2	0.6
ESOP loan to employees	*	-	-	-	-
<b>Subtotal</b>	<b>6.5</b>	<b>3.0</b>	<b>33.2</b>	<b>2.0</b>	<b>44.7</b>
<b>Financial liabilities</b>					
Borrowings	-	-	(31.8)	-	(31.8)
Trade and other payables	(4.2)	(0.9)	(18.9)	(3.6)	(27.6)
Lease liabilities	(0.3)	(0.5)	(3.6)	(0.5)	(4.9)
Other financial liabilities	(0.7)	-	-	(0.4)	(1.1)
<b>Subtotal</b>	<b>(5.2)</b>	<b>(1.4)</b>	<b>(54.3)</b>	<b>(4.5)</b>	<b>(65.4)</b>
<b>Net financial assets/(liabilities)</b>	<b>1.3</b>	<b>1.6</b>	<b>(21.1)</b>	<b>(2.5)</b>	<b>(20.7)</b>
Currency forwards	8.2	-	-	-	8.2
<b>Currency profile excluding non-financial assets and liabilities</b>	<b>9.5</b>	<b>1.6</b>	<b>(21.1)</b>	<b>(2.5)</b>	<b>(12.5)</b>
Financial (assets)/liabilities denominated in the respective entities' functional currencies	(2.4)	(0.8)	26.8	0.1	23.7
<b>Currency exposure of financial assets/(liabilities)</b>	<b>7.1</b>	<b>0.8</b>	<b>5.7</b>	<b>(2.4)</b>	<b>11.2</b>

\* Balance is less than £100,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

£m	GBP	EUR	USD	Others	Total
<b>At 31 December 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.4	0.5	8.2	1.1	11.2
Trade receivables	2.6	2.8	29.1	0.3	34.8
Other current assets	0.1	*	0.2	0.3	0.6
ESOP loan to employees	0.1	-	-	-	0.1
<b>Subtotal</b>	<b>4.2</b>	<b>3.3</b>	<b>37.5</b>	<b>1.7</b>	<b>46.7</b>
<b>Financial liabilities</b>					
Borrowings	-	-	(52.5)	-	(52.5)
Trade and other payables	(2.9)	(0.7)	(17.5)	(3.5)	(24.6)
Lease liabilities	(0.6)	(0.5)	(4.8)	(0.5)	(6.4)
<b>Other financial liabilities</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>(1.8)</b>
<b>Subtotal</b>	<b>(4.5)</b>	<b>(1.2)</b>	<b>(74.8)</b>	<b>(4.8)</b>	<b>(85.3)</b>
Net financial (assets)/liabilities	(0.3)	2.1	(37.3)	(3.1)	(38.6)
Currency forwards	11.3	-	-	-	11.3
<b>Currency profile excluding non-financial assets and liabilities</b>	<b>11.0</b>	<b>2.1</b>	<b>(37.1)</b>	<b>(3.1)</b>	<b>(27.1)</b>
Financial (assets)/liabilities denominated in the respective entities' functional currencies	(0.7)	(2.2)	44.3	0.3	41.7
<b>Currency exposure of financial assets/(liabilities)</b>	<b>10.3</b>	<b>(0.1)</b>	<b>7.0</b>	<b>(2.8)</b>	<b>14.4</b>

\* Balance is less than £100,000.

If the US Dollar and Euro change against Sterling by 1% and 1% respectively (2019: US Dollar 5%, Euro 0.4%) with all other variables, including tax rates, being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

£m	2020 Profit after tax	2019 Profit after tax
Group		
EUR against GBP		
— strengthened	*	*
— weakened	*	*
USD against GBP		
— strengthened	*	0.3
— weakened	*	(0.3)

\* Balances are less than £100,000.

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

### c. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in the market interest rates.

All of the Group's borrowings are at variable interest rates and are denominated in US Dollars. If the average interest rates on these borrowings increased/decreased by 1.0% (2019: 0.5%) with all other variables, including tax rates, being held constant, the profit before tax will be lower/higher by £318,000 (2019: £262,000) 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 uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit loss, trade receivables are grouped based on shared credit risk characteristics and days past due.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

The movement in the allowance for impairment of trade receivables is as follows:

£m	2020	2019
Beginning of financial year	(0.1)	(0.1)
Restated allowance for impairment under IFRS 9	(0.1)	(0.1)
Loss allowance <sup>(a)</sup> recognised in profit or loss during the year on assets acquired/originated	(0.4)	*
Receivables written off as uncollectible	*	*
Foreign currency translation	*	*
End of the financial year	(0.5)	(0.1)

<sup>(a)</sup> Loss allowance measured at lifetime ECL.

\* Balances are less than £100,000.

### e. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities (Note 22) and the ability to close out market positions at a short notice. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows. All significant subsidiaries prepare weekly cash forecast on a 13-weeks outlook basis and reviewed it on a weekly basis with the management.

At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 16.

The Group has sufficient credit facilities to meet both its long and short-term requirements. The Group's credit facilities are provided by a revolving credit facility at the year-end. In November 2019, the Group renewed its facility from US\$105.0 million to US\$120.0 million with a US\$60.0 million accordion option with a four-year term up to November 2023. In October 2020, the Group exercised US\$30.0 million additional accordion option increasing the size of the bank facility from US\$120.0 million to US\$150.0 million. At the same time, the Group also exercised the option to extend the bank facility for a further one year to November 2024.

The Group's US\$150m Revolving Credit Facility ("RCF") is due to mature in November 2024. The main features of the RCF are as follows:

- The interest rate on the amounts drawn under the facility is determined as US LIBOR plus margin depending on leverage ratio .
- Market standard financial covenants of the facility, as discussed below.
- A US\$30.0 million accordion feature, providing the Group with additional flexibility to increase the size of the banking facility to US\$180.0 million, subject to approval of its bank lending group.

The Group had undrawn committed borrowing facilities available at the year-end totalling US\$105.0 million (2019: US\$49.0 million) expire in four years from 31 December 2020.

The covenants to 31 December 2020 include:

- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of three times.
- Consolidated EBITDA must also cover relevant finance charges by a minimum of four times.

For covenant testing purposes, the Group's definition of consolidated EBITDA is adjusted to exclude specific items. Consolidated EBITDA, for covenant test purposes, is based on the previous 12-month period, measured on the last day of each financial quarter of the Group. Throughout the year and at 31 December 2020 both of these covenants were met.

The table below analyses the maturity profile of the Group's 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.

### 30. FINANCIAL RISK MANAGEMENT (CONTINUED)

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>Group</b>					
<b>At 31 December 2020</b>					
Trade and other payables	27.6	-	-	-	27.6
Lease liabilities	1.8	1.4	2.0	0.3	5.5
Accrued consideration	-	0.1	0.9	-	1.0
Borrowings, including interest	0.7	0.7	33.0	-	34.4
<b>Total</b>	<b>30.1</b>	<b>2.2</b>	<b>35.9</b>	<b>0.3</b>	<b>68.5</b>
<b>At 31 December 2019</b>					
Trade and other payables	24.6	-	-	-	24.6
Lease liabilities	1.9	2.0	2.4	0.9	7.2
Accrued consideration	0.5	1.0	0.2	-	1.7
Borrowings, including interest	1.9	1.8	55.7	-	59.4
<b>Total</b>	<b>28.9</b>	<b>4.8</b>	<b>58.3</b>	<b>0.9</b>	<b>92.9</b>

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:

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

The following table presents the assets and liabilities measured at fair value at 31 December 2020.

2020 £m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative financial instruments	-	0.3	-	0.3
<b>Liabilities</b>				
Derivative financial instruments	-	(0.1)	-	(0.1)
<b>2019</b>				
<b>Assets</b>				
Derivative financial instruments	-	0.6	-	0.6
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-

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 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.

#### g. Offsetting financial assets and financial liabilities

The Group has no financial instruments subject to enforceable master netting arrangements.

### 31. OTHER INFORMATION

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of XP Power Limited on 3 March 2020.

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

£'000	Note	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	35	4,336	5,016
Trade and other receivables	36	46,132	42,437
Other current assets	37	845	565
Derivative financial instruments	38	300	632
Inventories	39	15,827	10,949
<b>Total current assets</b>		<b>67,440</b>	<b>59,599</b>
<b>Non-current assets</b>			
Investment in subsidiaries	34	43,484	44,892
Property, plant and equipment	40	1,561	1,626
Right-of-use assets	41	336	333
Intangible assets	41	17,738	16,377
Long-term receivable	45	6,593	6,806
<b>Total non-current assets</b>		<b>69,712</b>	<b>70,034</b>
<b>Total assets</b>		<b>137,152</b>	<b>129,633</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	44	39,016	46,509
Current income tax liabilities	46	4,794	2,449
Derivative financial instruments	38	111	-
Lease liabilities		263	167
<b>Total current liabilities</b>		<b>44,184</b>	<b>49,125</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	43	2,832	2,479
Lease liabilities		96	173
<b>Total non-current liabilities</b>		<b>2,928</b>	<b>2,652</b>
<b>Total liabilities</b>		<b>47,112</b>	<b>51,777</b>
<b>NET ASSETS</b>		<b>90,040</b>	<b>77,856</b>
<b>EQUITY</b>			
Share capital	47	29,774	29,770
Share option reserve	47	565	404
Translation reserve	47	15,530	18,868
Retained earnings	47	44,171	28,814
<b>TOTAL EQUITY</b>		<b>90,040</b>	<b>77,856</b>

# NOTES TO THE COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

## 32. 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 providing power supply solutions and acting as an investment holding company.

## 33. BASIS OF ACCOUNTING POLICIES

The Company applies the same principal accounting policies as the Group as set out in Note 2 under the Group Consolidated Financial Statements.

On 1 January 2020, the Company adopted the new or amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC.

The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or previous financial years except for the following:

### Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair values plus transaction costs and subsequently measured at the higher of:

- premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of IFRS 15; and
- the amount of expected loss computed using the impairment methodology under IFRS 9.

## 34. INVESTMENT IN SUBSIDIARIES

£m	2020	2019
<b>Cost at carrying value</b>		
At 1 January	44,892	46,951
Exchange differences on translation	(1,408)	(2,059)
<b>At 31 December</b>	<b>43,484</b>	44,892

Name of Subsidiary	Place of incorporation/ Ownership (or registration) and operation	Proportion of ownership % 2020	Proportion of ownership % 2019	Auditor of Subsidiaries
XP Power Plc	UK	100	100	PricewaterhouseCoopers LLP
XP Power Singapore Holdings Pte Limited	Singapore	100	100	PricewaterhouseCoopers LLP

## 35. CASH AND CASH EQUIVALENTS

£'000	2020	2019
Cash at bank	4,336	5,016
<b>Total</b>	<b>4,336</b>	5,016

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

	GBP £'000	USD £'000	EUR £'000	SGD £'000	JPY £'000	TOTAL £'000
<b>At 31 December 2020</b>						
Cash at bank	495	3,000	687	130	24	4,336
	GBP £'000	USD £'000	EUR £'000	SGD £'000	JPY £'000	TOTAL £'000
At 31 December 2019						
Cash at bank	197	4,548	6	264	1	5,016

# NOTES TO THE COMPANY

## BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2020

### 36. TRADE AND OTHER RECEIVABLES

£m	2020	2019
Trade receivables	3,408	6,223
Trade receivables from related parties	29,100	13,219
Other receivables from related parties	6,980	12,482
Loan receivables from a related party	6,644	10,513
<b>Total</b>	<b>46,132</b>	<b>42,437</b>

The average credit period taken on sales of goods to third party is 40 days (2019: 78 days). No interest is charged on the outstanding receivables balance.

The carrying amount of trade and other receivables approximates their fair value.

Loan from a related party is unsecured and bears interest at LIBOR plus 1.5% per annum.

Trade and other receivables from related parties are interest-free.

### 37. OTHER CURRENT ASSETS

£m	2020	2019
Prepayments	578	408
Deposit	72	65
VAT receivables	148	92
Other receivables	47	-
<b>Total</b>	<b>845</b>	<b>565</b>

Other current assets are not impaired as at 31 December 2020 and 31 December 2019.

### 38. DERIVATIVE FINANCIAL INSTRUMENTS

The total notional amount of outstanding currency forward contracts that the Company has committed is £8.2 million (2019: £11.3 million). These contracts are to hedge against exchange movements on future sales and hedge accounting has not been applied to these contracts.

December 2020 £'000	Assets		Liabilities	
	Contract notional amount	Fair value asset	Contract notional amount	Fair value (liability)
Current portion	5,800	300	2,400	(111)
<b>Total</b>	<b>5,800</b>	<b>300</b>	<b>2,400</b>	<b>(111)</b>

December 2019 £'000	Assets		Liabilities	
	Contract notional amount	Fair value asset	Contract notional amount	Fair value (liability)
Current portion	11,300	632	-	-
<b>Total</b>	<b>11,300</b>	<b>632</b>	<b>-</b>	<b>-</b>

### 39. INVENTORIES

£m	2020	2019
Goods for resale	15,827	10,949

## 40. PROPERTY, PLANT AND EQUIPMENT

£'000	Freehold land	Building	Plant and equipment	Motor vehicles	Building improvements	Total
<b>Cost</b>						
At 1 January 2019	230	1,848	1,586	43	500	4,207
Additions	-	-	104	-	-	104
Disposals	-	-	(43)	-	-	(43)
Foreign currency translation	(10)	(81)	(72)	(2)	(22)	(187)
<b>At 31 December 2019</b>	<b>220</b>	<b>1,767</b>	<b>1,575</b>	<b>41</b>	<b>478</b>	<b>4,081</b>
Additions	-	-	64	-	32	96
Disposals	-	-	(7)	-	-	(7)
Transfer from related party	-	-	65	-	-	65
Foreign currency translation	(7)	(54)	(60)	(1)	(14)	(136)
<b>At 31 December 2020</b>	<b>213</b>	<b>1,713</b>	<b>1,637</b>	<b>40</b>	<b>496</b>	<b>4,099</b>
<b>Depreciation</b>						
At 1 January 2019	-	563	1,346	18	459	2,386
Additions	-	56	141	9	16	221
Disposals	-	-	(42)	-	-	(42)
Foreign currency translation	-	(27)	(62)	(1)	(21)	(110)
<b>At 31 December 2019</b>	<b>-</b>	<b>592</b>	<b>1,383</b>	<b>26</b>	<b>454</b>	<b>2,455</b>
Additions	-	55	101	9	13	178
Disposals	-	-	(7)	-	-	(7)
Foreign currency translation	-	(24)	(48)	(2)	(14)	(88)
<b>At 31 December 2020</b>	<b>-</b>	<b>623</b>	<b>1,429</b>	<b>33</b>	<b>453</b>	<b>2,538</b>
<b>Carrying amount</b>						
<b>At 31 December 2020</b>	<b>213</b>	<b>1,090</b>	<b>208</b>	<b>7</b>	<b>43</b>	<b>1,561</b>
At 31 December 2019	220	1,175	192	15	24	1,626

## 41. RIGHT-OF-USE ASSETS

£'000	Leasehold land and buildings
At 1 January 2019	546
Depreciation charge during the year	(202)
Foreign currency translation	(11)
<b>At 31 December 2019</b>	<b>333</b>
Depreciation charge during the year	(224)
Additions	241
Foreign currency translation	(14)
<b>At 31 December 2020</b>	<b>336</b>

# NOTES TO THE COMPANY

## BALANCE SHEET

CONTINUED

AS AT 31 DECEMBER 2020

### 42. INTANGIBLE ASSETS

£'000	Development costs	Trademarks	Intangible software	Intangible software under development	Total
<b>Cost</b>					
At 1 January 2019	16,524	-	254	1,699	18,477
Additions	4,006	*	65	3,392	7,463
Transfer	(91)	91	4,949	(4,949)	-
Foreign currency translation	(857)	(4)	(97)	(142)	(1,100)
<b>At 31 December 2019</b>	<b>19,582</b>	<b>87</b>	<b>5,171</b>	<b>-</b>	<b>24,840</b>
Additions	3,565	-	3	2,911	6,479
Disposals	(1,180)	-	-	-	(1,180)
Transfer	-	-	1,252	(1,252)	-
Foreign currency translation	(707)	(3)	(194)	(118)	(1,022)
<b>At 31 December 2020</b>	<b>21,260</b>	<b>84</b>	<b>6,232</b>	<b>1,541</b>	<b>29,117</b>
<b>Amortisation</b>					
At 1 January 2019	6,219	-	38	-	6,257
Charge for the year	2,439	-	133	-	2,572
Foreign currency translation	(361)	-	(5)	-	(366)
<b>At 31 December 2019</b>	<b>8,297</b>	<b>-</b>	<b>166</b>	<b>-</b>	<b>8,463</b>
Charge for the year	2,805	-	598	-	3,403
Foreign currency translation	(445)	-	(42)	-	(487)
<b>At 31 December 2020</b>	<b>10,657</b>	<b>-</b>	<b>722</b>	<b>-</b>	<b>11,379</b>
<b>Carrying amount</b>					
<b>At 31 December 2020</b>	<b>10,603</b>	<b>84</b>	<b>5,510</b>	<b>1,541</b>	<b>17,738</b>
At 31 December 2019	11,285	87	5,005	-	16,377

\* Balance is less than £1,000.

The amortisation period for development costs incurred varies between three and seven years according to the expected useful life of the products being developed.

Amortisation commences when the products are ready for sale.

### 43. DEFERRED INCOME TAXES

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

£'000	Accelerated tax depreciation	Capitalised development costs	Intangible assets amortisation	Other temporary differences	Total
At 1 January 2019	90	(1,773)	-	(55)	(1,738)
Charge to statement of comprehensive income	(65)	(231)	(505)	(46)	(847)
Exchange difference	(2)	86	18	4	106
<b>At 31 December 2019</b>	<b>23</b>	<b>(1,918)</b>	<b>(487)</b>	<b>(97)</b>	<b>(2,479)</b>
Charge to statement of comprehensive income	(135)	60	(356)	(29)	(460)
Exchange difference	8	56	38	5	107
<b>At 31 December 2020</b>	<b>(104)</b>	<b>(1,802)</b>	<b>(805)</b>	<b>(121)</b>	<b>(2,832)</b>

#### 44. TRADE AND OTHER PAYABLES

£'000	2020	2019
Trade payables and other creditors	6,480	5,056
Amount payable to related parties	32,536	41,453
<b>Total</b>	<b>39,016</b>	<b>46,509</b>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. Amount payable to related parties includes borrowings from related parties and trade and other payables to related parties. The Directors consider that the carrying amount approximates their fair value.

The Company borrows from subsidiaries at an interest rate of 1.5%–2.0% above LIBOR. The borrowing is repayable upon demand.

#### 45. LONG-TERM RECEIVABLE

£'000	2020	2019
Loans to related parties	6,593	6,806
<b>Total</b>	<b>6,593</b>	<b>6,806</b>

Loans to related parties bear interest at LIBOR plus 1.5%–2.0% per annum. The loans to related parties are unsecured. The Directors consider the carrying amount approximates their fair value.

#### 46. CURRENT INCOME TAX LIABILITIES

Movement in current income tax liabilities:

£'000	2020	2019
At 1 January	2,449	3,784
Currency translation differences	(339)	(231)
Income tax paid (net of refund)	(1,648)	(3,233)
Current year tax expense	4,332	2,350
Over provision in prior financial year	-	(221)
<b>At 31 December</b>	<b>4,794</b>	<b>2,449</b>

#### 47. SHARE CAPITAL AND RESERVES

Share capital £'000	2020	2019
Allotted and fully paid 19,242,296 ordinary shares	29,774	29,770

The movement in 2020 relates to transaction costs incurred in anticipation of an equity issuance.

Share option reserve £'000	2020	2019
Balance at 1 January	404	179
Share option expense	174	232
Exchange differences on translation	(13)	(7)
<b>Balance at 31 December</b>	<b>565</b>	<b>404</b>

Hedging reserve £'000	2020	2019
Foreign exchange risk		
Balance at 1 January	-	42
Net change in cash flow hedges	-	(42)
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

# NOTES TO THE COMPANY

## BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2020

### 47. SHARE CAPITAL AND RESERVES (CONTINUED)

<b>Translation reserve £'000</b>	<b>2020</b>	2019
Balance at 1 January	<b>18,868</b>	22,502
Exchange differences on translation	<b>(3,338)</b>	(3,634)
<b>Balance at 31 December</b>	<b>15,530</b>	18,868

<b>Retained earnings £'000</b>	<b>2020</b>	2019
Balance at 1 January	<b>28,814</b>	31,326
Dividends paid	<b>(7,360)</b>	(16,675)
Profit for the year	<b>22,717</b>	14,163
<b>Balance at 31 December</b>	<b>44,171</b>	28,814

### 48. 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 47.

#### b. Currency risk

The Company transacts in North America, Europe and Asia 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.

Company's risk management policy is to hedge known and certain forecast transactions exposure based on historical experience and exposure.

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.

## 48. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2020 £'000	GBP	EUR	USD	Others	Total
<b>Financial assets</b>					
Cash and cash equivalents	495	687	2,999	155	4,336
Trade and other receivables	866	357	43,655	1,254	46,132
Other current assets	-	-	47	72	119
Long-term receivables	-	-	6,593	-	6,593
<b>Subtotal</b>	<b>1,361</b>	<b>1,044</b>	<b>53,294</b>	<b>1,481</b>	<b>57,180</b>
<b>Financial liabilities</b>					
Trade and other payables	(10,208)	(232)	(28,006)	(474)	(38,920)
Lease liabilities	-	-	-	(359)	(359)
<b>Subtotal</b>	<b>(10,208)</b>	<b>(232)</b>	<b>(28,006)</b>	<b>(833)</b>	<b>(39,279)</b>
<b>Net financial (liabilities)/assets</b>	<b>(8,847)</b>	<b>812</b>	<b>25,288</b>	<b>648</b>	<b>17,901</b>
Currency forwards	8,200	-	-	-	8,200
<b>Currency profile excluding non-financial assets and liabilities</b>	<b>(647)</b>	<b>812</b>	<b>25,288</b>	<b>648</b>	<b>26,101</b>
Less: Financial assets denominated in the entity's functional currency	-	-	25,288	-	25,288
<b>Currency exposure of financial (liabilities)/assets</b>	<b>(647)</b>	<b>812</b>	<b>-</b>	<b>648</b>	<b>813</b>
<b>At 31 December 2019 £'000</b>	<b>GBP</b>	<b>EUR</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	197	6	4,549	264	5,016
Trade and other receivables	3,973	1,778	35,953	733	42,437
Other current assets	-	-	-	65	65
Long-term receivables	-	-	6,806	-	6,806
<b>Subtotal</b>	<b>4,170</b>	<b>1,784</b>	<b>47,308</b>	<b>1,062</b>	<b>54,324</b>
<b>Financial liabilities</b>					
Trade and other payables	(12,471)	(400)	(32,807)	(613)	(46,291)
Lease liabilities	-	-	-	(340)	(340)
<b>Subtotal</b>	<b>(12,471)</b>	<b>(400)</b>	<b>(32,807)</b>	<b>(953)</b>	<b>(46,631)</b>
<b>Net financial (liabilities)/assets</b>	<b>(8,301)</b>	<b>1,384</b>	<b>14,501</b>	<b>109</b>	<b>7,693</b>
Currency forwards	11,300	-	-	-	11,300
<b>Currency profile excluding non-financial assets and liabilities</b>	<b>2,999</b>	<b>1,384</b>	<b>14,501</b>	<b>109</b>	<b>18,993</b>
Less: Financial assets denominated in the entity's functional currency	-	-	14,501	-	14,501
<b>Currency exposure of financial assets/(liabilities)</b>	<b>2,999</b>	<b>1,384</b>	<b>-</b>	<b>109</b>	<b>4,492</b>



## 48. FINANCIAL RISK MANAGEMENT (CONTINUED)

### e. Liquidity risk

The table below analyses the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted cash flows. 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
<b>At 31 December 2020</b>					
Trade and other payables	38,920	-	-	-	38,920
Lease liabilities	275	89	-	-	364
<b>Total</b>	<b>39,195</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>39,284</b>

£'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>At 31 December 2019</b>					
Trade and other payables	46,290	-	-	-	46,290
Lease liabilities	176	174	-	-	350
<b>Total</b>	<b>46,466</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>46,640</b>

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

The Group's debt is sourced from a Revolving Credit Facility ("RCF") provided by HSBC UK Bank PLC, J.P. Morgan Securities PLC and DBS Bank Ltd. The Group's exercised an option in the RCF agreement in October 2020 to extend the facility expiry date by a year to November 2024. The Group also converted US\$30 million of accordion to committed facilities, increasing the facility to US\$150 million, with a further US\$30 million accordion option. The facility has no fixed repayment terms until maturity. The revolving loan is priced at US LIBOR plus a margin of 1.0% for the utilisation facility and a margin of 0.4% for the unutilised facility.

### 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 (i.e. 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).

The following table presents the assets measured at fair value at 31 December 2020:

£'000	Level 1	Level 2	Level 3	Total
<b>2020</b>				
<b>Assets</b>				
Derivative financial instruments	-	300	-	300
<b>Liabilities</b>				
Derivative financial instruments	-	(111)	-	(111)
<b>2019</b>				
<b>Assets</b>				
Derivative financial instruments	-	632	-	632
<b>Liabilities</b>				
Derivative financial instruments	-	-	-	-

# NOTES TO THE COMPANY

## BALANCE SHEET

CONTINUED

AS AT 31 DECEMBER 2020

### 48. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### g. Offsetting financial assets and financial liabilities

##### (i) FINANCIAL ASSETS

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

£'000	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ liabilities	Financial collateral received	Net amount
<b>At 31 December 2020</b>						
Trade receivables	-	-	-	29,100	-	29,100
<b>Total</b>	-	-	-	29,100	-	29,100
<b>At 31 December 2019</b>						
Trade receivables	-	-	-	13,219	-	13,219
Loan receivables from a related parties	10,845	(332)	10,513	-	-	-
<b>Total</b>	10,845	(332)	10,513	13,219	-	13,219

##### (ii) FINANCIAL LIABILITIES

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

£'000	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ liabilities	Financial collateral received	Net amount
<b>At 31 December 2020</b>						
Trade payables	-	-	-	(32,536)	-	(32,536)
<b>Total</b>	-	-	-	(32,536)	-	(32,536)
<b>At 31 December 2019</b>						
Trade payables	-	-	-	(41,453)	-	(41,453)
<b>Total</b>	-	-	-	(41,453)	-	(41,453)

# FIVE-YEAR REVIEW CONSOLIDATED INFORMATION

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
<b>Results</b>					
Revenue	233.3	199.9	195.1	166.8	129.8
<b>Profit from operations</b>	37.4	26.7	39.3	32.5	28.0
<b>Profit before tax</b>	35.7	24.0	37.6	32.2	27.8
<b>Assets employed</b>					
Non-current assets	135.2	137.4	129.2	88.1	73.2
Current assets	107.0	96.0	105.1	83.5	65.7
Current liabilities	(34.7)	(30.4)	(26.8)	(25.1)	(25.8)
Non-current liabilities	(43.0)	(64.1)	(70.1)	(29.6)	(6.2)
<b>Net assets</b>	164.5	138.9	137.4	116.9	106.9
<b>Financed by</b>					
Equity	163.8	138.2	136.4	116.0	106.1
Non-controlling interests	0.7	0.7	1.0	0.9	0.8
	164.5	138.9	137.4	116.9	106.9
<b>Key statistics (pence)</b>					
Earnings per share	163.0	107.0	157.8	148.3	112.0
Adjusted earnings per share	201.8	144.1	176.1	149.4	116.2
Diluted earnings per share	160.3	105.0	154.9	146.0	111.2
Diluted adjusted earnings per share	198.4	141.4	172.8	147.0	115.3
<b>Share price in the year (pence)</b>					
High	4,790.0	3,110.0	3,740.0	3,626.0	1,845.0
Low	2,130.0	1,965.0	2,090.0	1,725.0	1,410.0
Dividends per share (pence)	74.0	55.0	85.0	78.0	71.0

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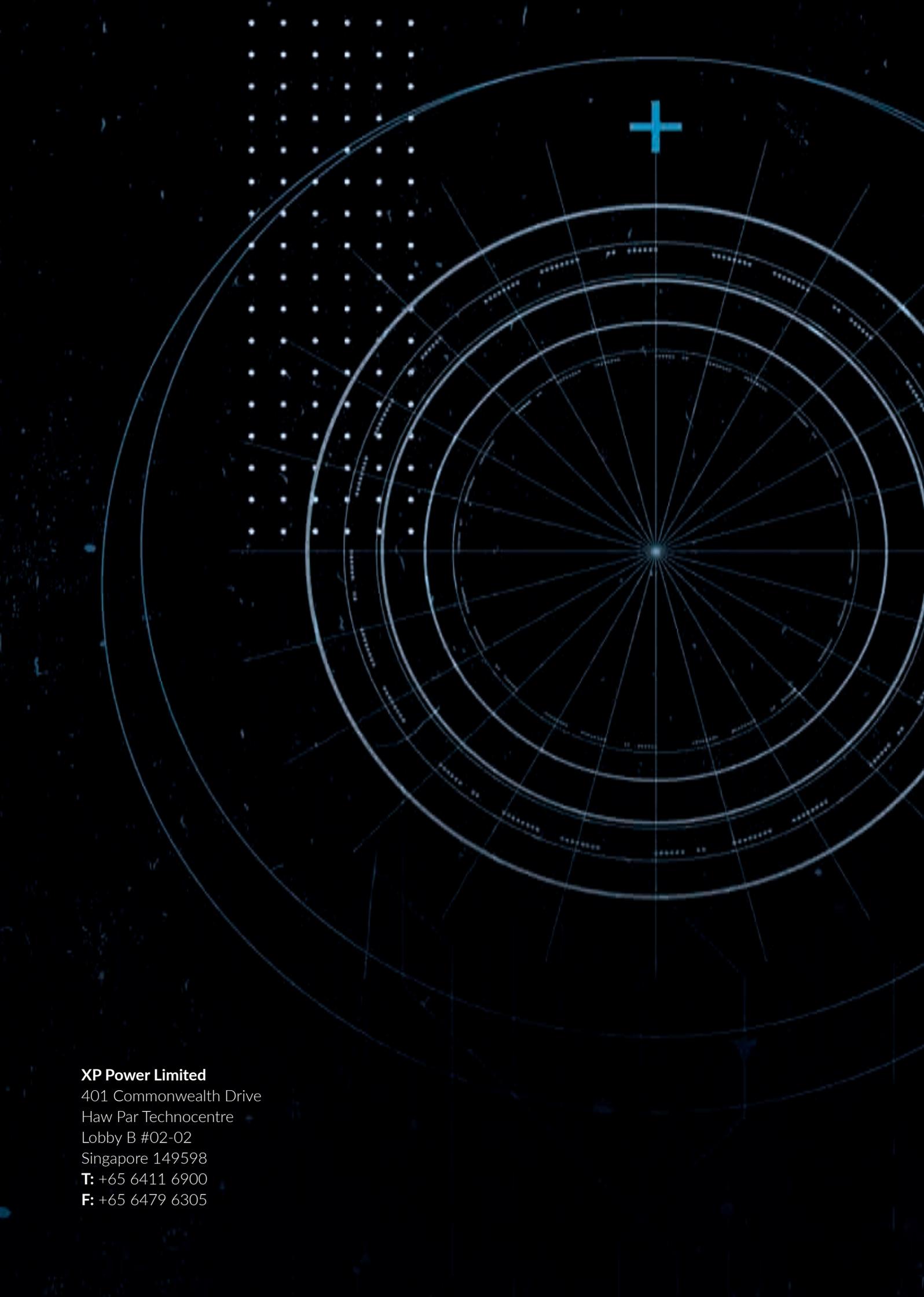
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