1 August 2011

XP Power Limited
("XP" or "the Group")

Interim Results for the six months ended 30 June 2011

XP, one of the world's leading developers and manufacturers of critical power control components for the electronics industry, today announces its interim results for the six-month period ended 30 June 2011.

Highlights	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)	
Revenue	**£51.9m**	£40.7m	+ 28%
Gross profit	**£25.7m**	£19.0m	+ 35%
Gross margin	**49.5%**	46.7%	+2.8% points
Operating margin	**23.9%**	18.9%	+ 5.0% points
Adjusted* profit before tax	**£11.9m**	£7.3m	+ 63%
Adjusted* profit after tax	**£10.1m**	£5.9m	+ 71%
Diluted earnings per share adjusted* (see Note 11)	**52.9p**	31.1p	+ 70%
Interim dividend per share (see Note 10)	**19.0p**	13.0p	+ 46%

* Adjusted for amortisation of intangibles associated with acquisitions of nil (2010: £0.1 million)

- Strategic repositioning of the Group to an own design/own manufactured business model now complete
- Further new product introductions and the development of an industry leading in-house manufacturing capability have generated multiple new program wins which are driving growth as market share gains gather pace.
- Increased gross margins of 49.5% (2010: 46.7%) driven by continued expansion of own design, XP products, which now represent 55% of revenues (2010: 46%) have combined with revenue growth to drive operating margins to 23.9% (2010: 18.9%).
- Construction of new production facility in Vietnam is on track and expected to be operational in the first quarter of 2012.
- Current trading remains robust – order backlog and new program wins underpin prospects in the second half and beyond.

Larry Tracey, Executive Chairman, commented:

"Our long term strategy of investing in our own product development and manufacturing capabilities has enabled XP to deliver excellent financial results in the first half of 2011, which, once again, set new records in terms of revenue, gross margins and earnings per share. Trading conditions remain robust and we entered the second half with a solid order book which should produce improved revenue in the second half as customer orders enter production, underpinning our confidence in prospects for the full year. We are focused on ensuring continued earnings and dividend growth over the next five years."

Enquiries:

XP Power

Larry Tracey, Executive Chairman	**+44 (0)7785 387142**
James Peters, Deputy Chairman	**+44 (0)7785 353066**
Duncan Penny, Chief Executive	**+65 8322 9520**

Citigate Dewe Rogerson	**+44 (0)20 7638 9571**
Kevin Smith/Jos Bieneman	

Note to editors

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

For further information, please visit www.xppower.com

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Interim Results for the six months ended 30 June 2011

CHAIRMAN’S STATEMENT

Overview

The broad based recovery that took hold in 2010 has continued into 2011. The trading environment in the first half remained robust, building on the “V” shaped recovery in 2010. Against this background, our long term strategy of investing in the development of our own designed and manufactured products has enabled XP to deliver another set of excellent financial results in the first half of 2011, which again set new records in terms of revenue, margins and earnings per share.

An expansive, up to date portfolio of market leading products and the development of an industry leading in-house manufacturing capability are at the core of our strategy and are leading to multiple new program wins which are driving our growth as we continue to take market share.

Markets

XP Power supplies power control solutions to original equipment manufacturers (“OEMs”) who supply the healthcare, industrial and technology markets with high value products. The increasing importance of energy efficiency for environmental, reliability and economic reasons; the necessity for ever smaller products; the accelerating rate of technological change; and the increasing proliferation of electronic equipment, all set a strong foundation for medium term growth in demand for XP Power’s products.

Revenue growth is being driven by the long term investment we have made in building a broad portfolio of leading edge products. Revenues for the period were up 28% (32% in constant currency) to £51.9 million, compared with £40.7 million in the same period a year ago. Revenues in Asia were £4.0 million, up 111%, in Europe revenues were £23.2 million up 21%, and those in North America were £24.7 million up 26%, all on the same period a year ago.

There has been no significant change in the revenue mix of the different industry sectors we target when comparing the first half of 2011 with the first half of 2010. Healthcare grew 21%, Industrial grew 26% and Technology grew 36%. Growth in Technology was most pronounced in Asia and North America, whereas the growth in Industrial was strongest in North America. For the six months ended 30 June 2011, 45% of our revenues were generated from Industrial (2010: 46%), 25% from Healthcare (2010: 26%) and 30% from Technology (2010: 28%).

The Group’s customer base remains highly diversified, with our largest customer accounting for only 4% of revenue, spread over 68 different programs/part numbers.

Margins

Our value proposition to our customers is to reduce their costs of manufacture and operation. We achieve this by producing new products that consume less power, take up less space, reduce installation times and which are highly reliable in service. As the proportion of revenue generated from our own designed product has increased to 55% (2010: 46%), so too have our gross margins. The 49.5% gross margin achieved in the first half of 2011 is another record (2010: 46.7%) and there remains scope for further improvements as the proportion of own design revenue grows.

At present, approximately one quarter of our total revenues are manufactured in-house. This figure is expected to increase significantly as all future new products designed by our design centres will also be manufactured by us. We are adding additional manufacturing capacity to address the combination of overall revenue growth and this higher mix of own manufactured products.

The increase in gross margins in conjunction with our revenue growth is resulting in a substantial improvement in operating margins. Our operating margin in the first half of 2011 was 23.9% (2010: 18.9%) which is now among the best performers in our industry.

Product Development

XP Power helps its customers reduce their own production costs and lower the operating costs of their equipment when in service. Materials, space and energy consumption savings are achieved by applying the combined power control intellect of a multi-disciplined team of some 200 engineers. This is the essence of the value we add for our customers.

New products are fundamental to driving our revenue growth. The markets we serve and the customer requirements we identify are numerous and diverse. The broader our product offering the more opportunity we have to increase our revenues by expanding our available market. The investment we have made in product development in the past few years means that our portfolio of products is now materially complete and the primary focus has shifted to refreshing product families that were released some seven or eight years ago.

It is significant that the acceleration in the number of new product families introduced over the last three years is yet to have a significant impact on our revenues. This is due to the lengthy design-in cycles determined by customers to qualify the power converter in their equipment and then gain the necessary safety agency approvals. This bodes well for future revenue growth.

We launched 13 new product families in the first half of 2011. In response to customer requirements for improved efficiency and environmental performance, our design teams are focusing on developing new products that reduce power wastage, reduce heat, and consume less raw material. As anticipated, with our ranges now largely complete, the number of new product introductions is likely to decline this year from the 32 product families introduced in 2010 to around 25 in 2011. Our design engineering teams are now spending more time on modifications to standard products required to address live sales opportunities from our key customers. Many of these new products will be environmentally friendly having very high efficiency and incorporating low stand-by power operation. Net product development spending increased by 19% from £1.6 million in the first half of 2010 to £1.9 million in the first half of 2011.

Our philosophy is to develop a broad array of standard products which are easy to modify to the customer’s specific requirements. This avoids the need for our customers to embark on an expensive and lengthy custom design process, saving them engineering costs and reducing their time to market. Use of a standard platform also reduces the customer’s risk. Approximately

60% of our revenues come from standard products that we have modified in some way or from our configurable product lines.

Larger customers are keen to reduce the number of vendors they deal with and XP Power's broad product offering, excellent global engineering support, in-house manufacturing capability and environmental credentials make us an ideal candidate as a preferred supplier.

Supply Chain Dynamics

Lead times for electronic components have more or less reverted back to normal following the severe component shortages and lead time increases experienced during 2010. Since the end of 2009 we have significantly increased our inventories of critical components in order to continue to offer short lead times to our customers and to protect us from future shortages and external supply chain stocks such as the earthquake that occurred in Japan during March of this year. Inventories increased from £21.0 million at the 2010 year end to £23.3 million at 30 June 2011, with £0.6 million of this increase due to higher safety inventories of critical components.

Manufacturing

XP Power's move into manufacturing in 2006 has been instrumental in enabling the Group to win approved and preferred supplier status at many new Blue Chip customers. The results of this success are now beginning to manifest themselves in our revenue growth.

In June 2009 production commenced at a new manufacturing facility constructed on our existing site at Kunshan, close to Shanghai, China. This new facility has enabled us to win more of the available business from our existing Blue Chip customer base and to attract new larger customers where we have yet to gain preferred supplier status. These customers demand that their suppliers have complete control over their supply chain and product manufacture to ensure the highest levels of quality. The facility, which is certified under the ISO14001 Environmental Management Standard, delivers manufacturing capabilities which match the best of our competitors.

The facility underwent seven customer inspections during the period and all were successful, paving the way for XP to secure approved and/or preferred supplier status with further new key customers.

The Kunshan factory is now running at over 50% capacity utilisation due to the increased demand for our latest products which are own-manufactured. In December 2010 work started on an additional factory in Vietnam on the outskirts of Ho Chi Minh City to help meet future demand. The Vietnam site has sufficient space for us to build two factories equivalent to the size of our existing China factory in a phased approach as demand dictates. Construction work is progressing to schedule and we expect to be operational in the first of these new factories during the first quarter of 2012.

Capital requirements to expand our manufacturing capacity are modest compared to the returns. We expect the site preparation and first building cost to be approximately £5.5 million.

Dividend

Since April 2010 the Company has been making quarterly dividend payments. Our strong financial performance and confidence in the Group's prospects have enabled us to increase dividends for the first half by 46% to 19.0 pence per share (2010: 13.0 pence per share).

The first quarterly payment of 9.0 pence per share was made on 7 July 2011. A second quarterly dividend of 10 pence per share will be paid on 12 October 2011 to shareholders on the register at 9 September 2011. These first two quarterly payments total 19.0 pence per share versus the first two quarterly payments of 13.0 pence per share paid for the equivalent period in 2010.

Dividend growth over the past ten years has exceeded a compound average growth rate of 15%.

Environmental Impact

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

The Group was therefore pleased to announce in March that it had been accepted as a Full Member of the Electronic Industry Citizenship Coalition ("EICC"). The EICC is a collaboration of leading electronics companies that promotes an industry code of conduct for global supply chains to improve working and environmental conditions. XP's successful membership application reflects the major progress achieved by the Group in enhancing the energy efficiency of its power converters in recent years and its ongoing commitment to improving its environmental performance.

Acquisition of the 20% minority interest in XP Power Srl (Italy)

In July we announced the acquisition of the outstanding 20% of the issued share capital of XP Power Srl, the Group's sales distribution company in Italy, for a maximum consideration of €225,000 (approximately £203,000) in cash. The transaction completed on 12 July 2011 and brings the Group's total holding in XP Power Srl to 100%.

We believe that 100% ownership of XP Power Srl will allow more control over the sales operations in Italy which will, in turn, help drive the strategy of targeting key accounts with the Group's own-designed product portfolio.

Management Succession

As reported in our June trading update, having held executive roles on the XP Board since the public listing in 2000 and with the Group's strategic transformation from distributor to designer and manufacturer of its own range of products now complete, I, along with my Board colleague James Peters, Deputy Chairman, have indicated our intention to relinquish our executive duties in April 2012, at which point we will become non-executive directors.

Duncan Penny, Chief Executive, will assume full responsibility for the day to day management of the business from this point, with Mike Laver, North American President and Executive Director, assuming responsibility for global sales and marketing. Our top 19 managers below Board level have an average age of 41 and average length of service of over 11 years. James and I will effect a progressive transition of our responsibilities over the coming months to ensure an orderly handover. There is a strong and stable second tier of management below Board level.

Outlook

We entered the second half with a solid order book and new business secured to date should produce improved revenue in the remainder of the current year as customer orders enter production, underpinning our confidence in prospects for the full year.

Our challenge is to ensure that the exceptional results achieved in 2011 are progressively improved over the next five years to the benefit of customers, employees and shareholders. I believe the Group is well placed to execute these objectives.

Larry Tracey
Executive Chairman
1 August 2011

XP Power Limited
Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

£ Millions	Note	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Revenue	7	**51.9**	40.7
Cost of sales	8	**(26.2)**	(21.7)
Gross profit		**25.7**	19.0
Operating expenses	8	**(13.0)**	(11.5)
Other operating (expense)/income	8	**(0.3)**	0.2
Operating profit		**12.4**	7.7
Finance cost	8	**(0.5)**	(0.5)
Profit before income tax	7	**11.9**	7.2
Income tax expense	9	**(1.6)**	(1.3)
Net profit		**10.3**	5.9
Other comprehensive income:			
Fair value (losses)/gains on cash flow hedges		**(0.4)**	0.8
Exchange differences on translation of foreign operations		**0.4**	(0.7)
Other comprehensive income, net of tax		**-**	0.1
Total comprehensive income		**10.3**	6.0
Profit attributable to:			
- equity holders of the company		**10.1**	5.8
- non-controlling interest		**0.2**	0.1
		10.3	5.9
Total comprehensive income attributable to:			
- equity holders of the company		**10.1**	5.9
- non-controlling interest		**0.2**	0.1
		10.3	6.0
Earnings per share for profit from continuing operations attributable to equity holders of the Company		**Pence per Share**	Pence per Share
Basic	11	**53.4**	30.8
Diluted	11	**52.9**	30.6

XP Power Limited
Consolidated Balance Sheet
At 30 June 2011

£ Millions	Note	**At 30 June 2011 (Unaudited)**	At 31 December 2010	At 30 June 2010 (Unaudited)
Assets				
Current assets				
Cash and cash equivalents	7	**4.7**	5.0	2.9
Derivative financial instruments	7	**-**	-	1.0
Trade receivables	7	**16.5**	15.6	13.3
Other current assets	7	**2.0**	1.5	1.4
Inventories	6, 7	**23.3**	21.0	15.2
Total current assets		**46.5**	43.1	33.8
Non-current assets				
Interests in associates		**0.1**	0.1	0.1
Property, plant and equipment		**9.6**	8.3	7.9
Goodwill	7	**30.8**	30.8	31.0
Intangible assets	12	**5.5**	5.3	4.9
ESOP loans to employees		**1.9**	2.4	2.6
Deferred income tax assets	7	**0.7**	0.8	0.4
Total non-current assets		**48.6**	47.7	46.9
Total assets		**95.1**	90.8	80.7
Liabilities				
Current liabilities				
Trade and other payables	7	**14.3**	15.5	14.0
Current income tax liabilities	7	**1.9**	3.4	2.9
Derivative financial instruments	7	**0.8**	0.4	0.3
Borrowings	14	**15.9**	12.7	4.0
Provision for deferred contingent consideration		**3.6**	-	-
Total current liabilities		**36.5**	32.0	21.2
Non-current liabilities				
Borrowings	14	**8.4**	10.7	18.1
Deferred income tax liabilities	7	**1.7**	1.8	1.7
Provision for deferred contingent consideration	7	**-**	3.5	3.7
Total non-current liabilities		**10.1**	16.0	23.5
Total liabilities		**46.6**	48.0	44.7
NET ASSETS		**48.5**	42.8	36.0
Capital and reserves attributable to equity holders of the Company				
Share capital		**27.2**	27.2	27.2
Merger reserve		**0.2**	0.2	0.2
Treasury shares		**(1.0)**	(1.0)	(0.9)
Hedging reserve		**(0.8)**	(0.4)	0.6
Translation reserve		**(7.2)**	(7.6)	(8.1)
Retained earnings		**29.9**	24.2	16.8
		48.3	42.6	35.8
Non-controlling interest		**0.2**	0.2	0.2

Total equity	**48.5**	42.8	36.0

XP Power Limited
Consolidated Statement of Changes in Equity
For the six months ended 30 June 2011 (Unaudited)

	Share capital	**Company treasury shares**	**Merger reserve**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total attributable to equity holders of the parents**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2010	**27.2**	**(0.9)**	**0.2**	**(0.2)**	**(7.4)**	**13.3**	**32.2**	**0.3**	**32.5**
Dividends paid	-	-	-	-	-	(2.3)	(2.3)	(0.2)	(2.5)
Total comprehensive income for the period	-	-	-	0.8	(0.7)	5.8	5.9	0.1	6.0
Balance at 30 June 2010	**27.2**	**(0.9)**	**0.2**	**0.6**	**(8.1)**	**16.8**	**35.8**	**0.2**	**36.0**
Balance at 1 January 2011	**27.2**	**(1.0)**	**0.2**	**(0.4)**	**(7.6)**	**24.2**	**42.6**	**0.2**	**42.8**
Sale of treasury shares	-	1.2	-	-	-	(0.6)	0.6	-	0.6
Purchase of treasury shares	-	(1.2)	-	-	-	-	(1.2)	-	(1.2)
Dividends paid	-	-	-	-	-	(3.8)	(3.8)	(0.2)	(4.0)
Total comprehensive income for the period	-	-	-	(0.4)	0.4	10.1	10.1	0.2	10.3
Balance at 30 June 2011	**27.2**	**(1.0)**	**0.2**	**(0.8)**	**(7.2)**	**29.9**	**48.3**	**0.2**	**48.5**

XP Power Limited
Consolidated Statement of Cash Flows
For the six months ended 30 June 2011

£ Millions	Note	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Cash flows from operating activities			
Total profit		**10.3**	5.9
Adjustments for			
- Income tax expense		**1.6**	1.3
- Amortisation and depreciation		**1.0**	1.1
- Finance cost		**0.5**	0.5
- Gain on fair valuation of derivative financial instruments		**-**	(0.1)
Change in the working capital			
- Inventories		**(2.3)**	(4.5)
- Trade and other receivables		**(1.3)**	(2.5)
- Trade and other payables		**(1.1)**	4.8
- Income tax paid		**(2.9)**	(1.3)
Net cash provided by operating activities	13	**5.8**	5.2
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		**(2.1)**	(1.0)
Research and development expenditure paid	8	**(0.6)**	(0.9)
ESOP loan repaid		**0.5**	-
Net cash used in investing activities		**(2.2)**	(1.9)
Cash flows from financing activities			
Repayment of borrowings		**(2.8)**	(0.4)
Purchase of treasury shares by ESOP		**(0.6)**	-
Interest paid		**(0.4)**	(0.4)
Dividends paid to equity holders of the Company		**(3.8)**	(2.3)
Dividends paid to non-controlling interest		**(0.2)**	(0.2)
Net cash used in financing activities		**(7.8)**	(3.3)
Effects of currency translation		**0.3**	(1.1)
Net decrease in cash and cash equivalents		**(3.9)**	(1.1)
Cash and cash equivalents at start of period		**1.0**	3.9
Effects of currency translation on cash and cash equivalents		**0.1**	0.1
Cash and cash equivalents at the end of the period	13	**(2.8)**	2.9

XP Power Limited
Notes to the Interim Results for the six months ended 30 June 2011

1. General information

XP Power Limited (the "Company") is listed on the London Stock Exchange and incorporated and domiciled in Singapore. The address of its registered office is 401 Commonwealth Drive, Lobby B #02-02, Haw Par Technocentre, Singapore 149598.

The nature of the Group's operations and its principal activities is to provide power supply solutions to the electronics industry.

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

2. Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2011 has been prepared in accordance with the Listing Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

3. Going Concern

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

4. Accounting policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the presentation of the Group's financial statements for the year ended 31 December 2010.

On 1 January 2011, the Group adopted the following standards that are mandatory for application from that date:

IAS 24 (revised)	Related party disclosures
IAS 32 (Amendment)	Classification of rights issues
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

The adoption of the above standards did not result in any substantial changes to the Group's accounting policies or any significant impact on these financial statements.

5. Property, plant and equipment

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

The 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.

Freehold land and property under development are not depreciated. Depreciation on other items of property, plant and equipment is charged so as to write off the cost or valuation of the assets over their estimated useful lives, using the straight line method, on the following bases:

Plant and equipment	10 – 33%
Motor vehicles	20 – 25%
Building improvements	10% or over the life of the lease if shorter
Buildings	2 – 5%
Leasehold land	2% or over the life of the lease if shorter

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

6. 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.

7. Segmented analysis

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

£ Millions	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Revenue		
Asia	**4.0**	1.9
Europe	**23.2**	19.2
North America	**24.7**	19.6
Total revenue	**51.9**	40.7

£ Millions	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Total assets		
Asia	**27.0**	18.0
Europe	**28.1**	24.4
North America	**39.3**	37.9
Segment assets	**94.4**	80.3
Unallocated deferred tax	**0.7**	0.4
Total assets	**95.1**	80.7

7. Segmented analysis (continued)

Reconciliation of segment results to profit before tax:

£ Millions	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Asia	**1.0**	-
Europe	**5.1**	3.1
North America	**6.0**	3.6
Segment result	**12.1**	6.7
Corporate recovery from operating segment	**2.2**	2.6
Research and development cost	**(1.9)**	(1.6)
Finance income and cost	**(0.5)**	(0.5)
Profit before taxation	**11.9**	7.2
Tax	**(1.6)**	(1.3)
Total profit	**10.3**	5.9

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

£ Millions	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
United States	**24.7**	19.6
United Kingdom	**11.8**	10.5
Singapore	**4.0**	1.9
Germany	**4.5**	3.2
Switzerland	**1.8**	1.8
Other countries	**5.1**	3.7
Total revenue	**51.9**	40.7

8. Expenses by nature

£ Millions	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Profit for the period is after charging/(crediting):		
Gross research and development expense	**2.1**	2.1
Development expense capitalised	**(0.6)**	(0.9)
Amortisation of development expense capitalised	**0.4**	0.4
Net research and development expense	**1.9**	1.6
Amortisation of other intangible assets	**-**	0.1
Depreciation of property, plant and equipment	**0.6**	0.6
Foreign exchange loss	**0.3**	-
Foreign exchange (gains) on forward contracts	**-**	(0.1)
Cost of inventories recognised as an expense	**26.2**	21.7
Fees paid to auditors:		
- Audit	**0.2**	0.2
All other charges	**10.8**	9.4
Total	**40.0**	33.5

9. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year. In arriving at the tax expense estimate, consideration for certain tax uncertainties were accounted for. The estimated effective annual tax rate used for 2011 is 14% (2010: 17%). The 2011 rate is reduced by certain factors some of which will not recur in the future.

£ Millions	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Singapore	**0.7**	0.4
Other overseas taxation	**0.9**	0.9
Total taxation	**1.6**	1.3

10. Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Pence per share	**£ Millions**	Pence per share	£ Millions
Prior year 3rd quarter dividend paid	**8.0**	**1.5**	-	-
Prior year final dividend paid	**12.0**	**2.3**	12.0	2.3
Total	**20.0**	**3.8**	12.0	2.3

The dividends paid recognised in the interim financial statements relate to the third quarter and final dividends for 2010.

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Pence per share	**£ Millions**	Pence per share	£ Millions
Proposed dividends	**19.0**	**3.6**	13.0	2.4

In April 2010 we announced that the Company's dividend payment schedule would change from a half yearly to a quarterly basis, to increase the attractiveness of the Group's shares to certain investors and to smooth cash flows. The first quarter payment of 9 pence per share (2010: 6 pence) was made on 7 July 2011 to shareholders on the register at 10 June 2011.

A second quarterly dividend of 10 pence per share (2010: 7 pence) will be paid on 12 October 2011 to shareholders on the register at 9 September 2011.

11. Earnings per share

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

£ Millions	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the company)	**10.1**	5.8
Amortisation of intangibles associated with acquisitions	**-**	0.1
Earnings for adjusted earnings per share	**10.1**	5.9
Number of shares	**'000**	'000
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**18,921**	18,803
Effect of potentially dilutive share options (thousands)	**162**	150
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,083**	18,953
Earnings per share from operations		
Basic	**53.4p**	30.8p
Diluted	**52.9p**	30.6p
Diluted adjusted	**52.9p**	31.1p

12. Other intangible assets

Other intangible assets comprises development expenditure capitalised when it meets the criteria laid out in IAS 38, “Intangible Assets”, trademarks and non-contractual customer relationships.

13. Cash and cash equivalents

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

£ Millions	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)
Cash and bank balances	**4.7**	2.9
Less: Bank overdrafts	**(7.5)**	-
Cash and cash equivalents per consolidated cash flow statement	**(2.8)**	2.9
Reconciliation to free cash flow:		
Net cash inflow from operating activities	**5.8**	5.2
Development expenses capitalised	**(0.6)**	(0.9)
Net interest expense	**(0.4)**	(0.4)
Free cash flow	**4.8**	3.9

14. Borrowings, bank loans and overdraft

£ Millions	30 June 2011 (Unaudited)	31 December 2010	30 June 2010 (Unaudited)
Non-Current	**8.4**	10.7	**18.1**
Current	**15.9**	12.7	**4.0**
Total	**24.3**	23.4	**22.1**

15. Currency Impact

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

	First half 2011 Average	First half 2010 Average	% Change	30 June 2011 Period end	31 December 2010 Period end	30 June 2010 Period end
USD/GBP	1.60	1.54	3.9%	1.61	1.54	1.49
EUR/GBP	1.16	1.14	1.8%	1.12	1.18	1.22

Approximately 70% of the Group's revenues are invoiced in USD so the change in the USD to GBP exchange rate has a significant effect on reported revenue in GBP. However, as the majority of our cost of goods sold and operating expenses are also denominated in USD the change in profit before tax with the USD to GBP exchange rate is relatively minor. The impact of changes in the key exchange rates from the first half of 2010 to the first half of 2011 are summarised as follows:

£ Millions	USD	EUR
Impact on revenues	(1.5)	(0.1)
Impact on profit before tax	(0.3)	-
Impact on net debt	1.9	-

16. Risks and uncertainties

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

Fluctuations in foreign currency

The Group has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings.

Dependence on key personnel

The future success of the Group is substantially dependent on the continued services and continuing contributions of its Directors, senior management and other key personnel.

Loss of key customers/suppliers

The Group is dependent on retaining its key customers and suppliers. However, for the six months ended 30 June 2011, no one customer accounted for more than 5% of revenue.

Shortage, non-availability or technical fault with regard to key electronic components

The Group is reliant on the supply, availability and reliability of key electronic components. If there is a shortage, non availability or technical fault with any of the key electronic components this may impair the Group's ability to operate its business efficiently and lead to potential disruption to its operations and revenues.

Fluctuations of revenues, expenses and operating results

The revenues, expenses and operating results of the Group could vary significantly from period to period as a result of a variety of factors, some of which are outside its control.

Information Technology Systems

The business of the Group relies to a significant extent on information technology systems used in the daily operations of its operating subsidiaries. Any failure or impairment of those systems or any inability to transfer data onto any new systems introduced could cause a loss of business and/or damage to the reputation of the Group together with significant remedial costs.

Risks relating to taxation of the Group

The Group is exposed to corporation tax payable in many jurisdictions. The effective tax rate of the Group is affected by where its profits fall geographically. The Group effective tax rate could therefore fluctuate over time. This could have an impact on earnings and potentially its share price. Further, the Group's tax position includes judgments about past and future events and relies on estimates and assumptions.

17. Directors' responsibility statement

The interim financial statements were approved by the board of directors on 1 August 2011.

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

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

The directors of XP Power Limited are as listed in the Company's 2010 Annual Report.