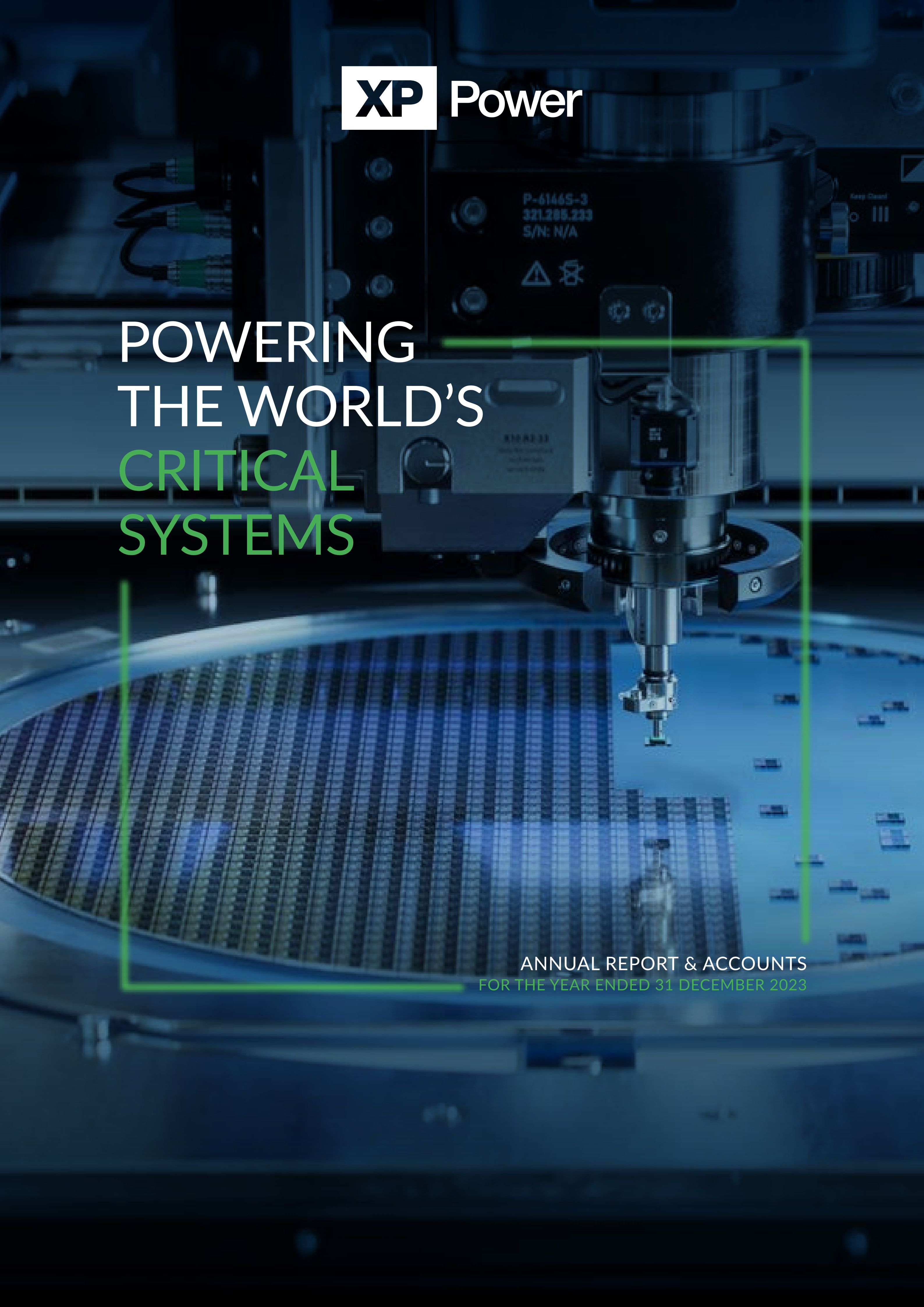


XP Power

POWERING THE WORLD'S CRITICAL SYSTEMS

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2023

XP Power

We provide our customers with solutions to power the world's critical systems.

We design and manufacture a diverse portfolio of power converters, with unrivalled customer service and support. Our enduring relationships are built on a reputation for quality.

Strategic progress in a challenging year:

Revenue growth was a robust 9% with strong growth in Industrial Technology and Healthcare, offset in part by a cyclical slowdown in Semiconductor Manufacturing Equipment. There was a slower order intake due to a normalisation after two years of unprecedented activity and the semiconductor slowdown. A Funding Plan was implemented to strengthen the balance sheet and manage the cost base, leading to a significant net debt reduction. Progress was made in key strategic areas – new product launches and growth in key areas; improved project bidding activity and growth in new business wins; supply chain performance improved and inventory reduced; and, Net Zero Transition Plan launched and significant reduction in emissions delivered.

> 2023 was a year of mixed fortunes. Good positions in attractive markets and improved supply chain performance supported a year of strong revenue growth. Any satisfaction with this growth and the progress on key strategic initiatives was tempered by challenges and required actions in the second half of the year. Difficult decisions were taken impacting our stakeholders but were in the long-term interest of the Company.
>
> **GAVIN GRIGGS**
> CHIEF EXECUTIVE OFFICER

→ FIND US ONLINE AT XPPOWER.COM

CONTENTS

XP POWER AT A GLANCE

WHAT WE DO

We provide our customers with solutions to power the world's critical systems.

XP Power has moved up the value chain over the last 20 years from a specialist distributor, to designer, to power control systems design manufacturing.

Focusing on key sectors

SEMICONDUCTOR MANUFACTURING EQUIPMENT

Examples of end-user products:

- Deposition
- Etch
- Ion implantation
- Lithography
- Wafer cleaning
- Test and inspection

HEALTHCARE

Examples of end-user products:

- Surgical tools
- Patient monitoring
- Imaging and diagnostics
- Clinical lab instruments
- Home healthcare
- Patient treatment

INDUSTRIAL TECHNOLOGY

Examples of end-user products:

- Analytical instrumentation
- Test and measurement
- Robotics
- Industrial printing
- Additive manufacturing
- Process control and automation

Power control systems are the essential hardware component in every piece of electrical equipment, converting power from the electricity grid into the right form for the equipment to function. We focus on sectors where power is mission-critical, and failure is not an option, making us stand apart from others.

XP Power products will either power the electronics, in the case of our low-voltage products, or processes, in the case of our high-voltage and radio frequency (RF) power systems, in critical systems in the Healthcare, Industrial Technology or Semiconductor Manufacturing Equipment sectors.

How we differentiate

As one of the world's leading power converter solutions providers, we ensure that critical electrical and electronic equipment is powered as safely, reliably, and efficiently as possible.

Our customers provide mission-critical systems, servicing their relevant market sectors. Therefore, our products need to be reliable, resilient, and safe. We have built a product portfolio of over 250 product families that give us the broadest industry product offering.

Our global network provides a strong competitive advantage over our smaller competitors (who lack the scale and geographical reach to serve global customers), and our larger competitors (who lack the operational flexibility to provide the excellent service that customers seek).

As electronic device capabilities evolve, so too do system complexities. Instead of trying to deliver expensive, time-consuming power solutions from scratch, our engineers often transform existing portfolio products and technologies.

Our customers come to us because they know our solutions are of the highest quality, but also because they know we'll work together to overcome their specific and challenging power problems.

Our customers

As original equipment manufacturers, our customers can be characterised as having expertise in their field, whether with healthcare devices, fast-growing industrial technologies or semiconductor equipment manufacturing, but do not, generally, have deep in-house power conversion expertise.

We however, do, and assist our customers to design-in a suitable power supply from our extensive product range that meet customer cost and technical requirements. Technical requirements often involve helping customers to meet equipment safety standards for their industry, such as relevant medical or electrical standards, as well as electromagnetic compatibility (conducted and radiated electrical noise).

We pride ourselves on our customer focus, providing rapid response to their technical issues, solving power problems and helping them get to market as fast as possible.

→ READ MORE ABOUT OUR CUSTOMERS ON PAGES 17–19

XP POWER AT A GLANCE CONTINUED

OUR GLOBAL REACH

The power of our global reach

Our global reach and target sectors help mitigate market volatility. Our network of sales, engineering and manufacturing provides us with the flexibility of a global organisation and the ability to partner with customers locally.

North America

The North American network consists of 11 sales offices, design centres and production facilities in Massachusetts, New Jersey and Southern California, and an engineering solutions group in Silicon Valley. This network provides major customers local, face-to-face support and rapid response times.

£184.5m

OF TOTAL REVENUE

+11%[1] COMPARED TO FY 22

Europe

The European network consists of nine direct sales offices and an effective distribution network. In addition, Germany and the UK house engineering solutions centres, and, since January 2022, the German design and production facilities of FuG Elektronik GmbH and Guth High Voltage GmbH. We have operational flexibility to provide high quality, rapid services due to this good coverage. We maintain a small UK production facility for customer modifications.

£97.8m

OF TOTAL REVENUE

+13%[1] COMPARED TO FY 22

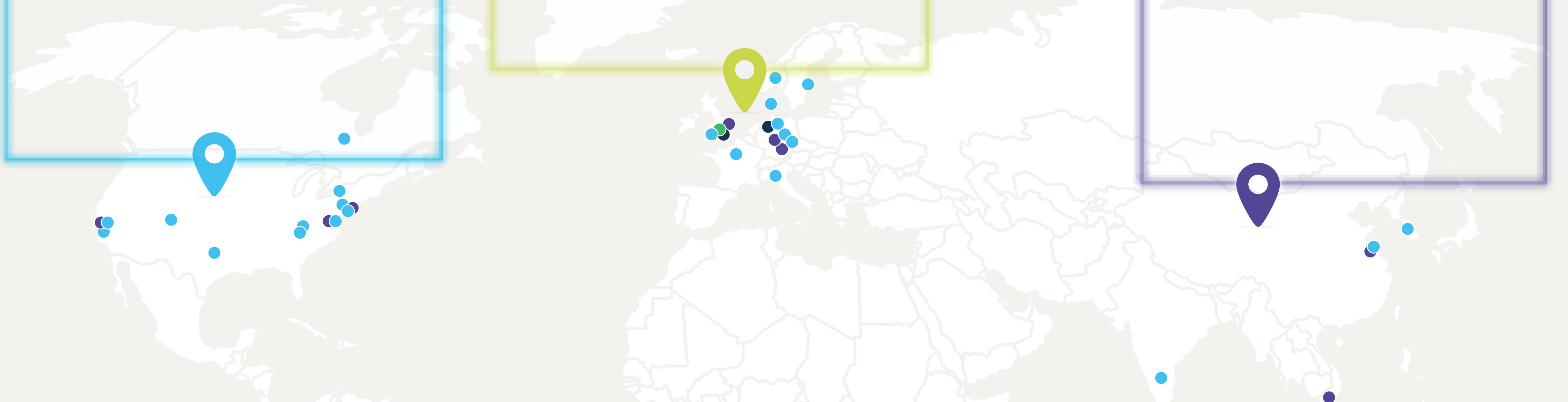
Asia

Operating from Singapore, we have four direct sales offices, where we also manage a network of seven distributors serving the region. To complement our customer offering, we have design engineering solutions capability in Singapore and South Korea. We have production facilities in China and Vietnam, with a third being built in Malaysia to serve customers globally.

£34.1m

OF TOTAL REVENUE

-6%[1] COMPARED TO FY 22



Key:

● Manufacturing
● Warehouse
● Sales offices
● Head offices

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[1] In constant currency.

Our market sectors

Semiconductor Manufacturing Equipment

From wearable technology that monitors real-time patient health, to in-vehicle devices that can help regulate dangerous driving habits, semiconductors are everywhere, and their applications are transforming the way we live – connected devices are becoming increasingly prevalent.

We're one of few worldwide companies able to provide the complete power solutions spectrum that semiconductor equipment manufacturers demand.

Healthcare

We're an attractive healthcare partner as our engineers understand the nuanced power needs of a wide range of medical applications required in healthcare environments, from operating theatres to intensive care units.

We are one of the world's largest providers of medical power conversion products, with a portfolio that's capable of meeting the specific high safety standards understandably demanded in the sector.

We're helping our customers usher in a new generation of increasingly connected, effective medical devices.

Industrial Technology

We focus on power solutions for sectors with high-growth potential. Our engineers envision how future industrial technologies need to be powered and deliver solutions that enable them to come to market today.

From additive manufacturing and robotics, to smart grid infrastructure, our power converters are helping facilitate a digital future.

CHAIR'S STATEMENT

> 2023 was a year in which the Group faced unexpected challenges but delivered some encouraging progress in key strategic areas.
>
> **JAMIE PIKE**
> CHAIR

Strategic progress in a challenging year

The Group entered 2023 with elevated borrowing due to various one-off factors, including payment of damages in respect of the Comet legal case and investment in inventory to maintain customer service levels during the period of exceptional supply chain disruption in 2022. Strong cash generation has been a hallmark of the Group's historic performance and the Board expected borrowings to reduce during the year. However, an industry-wide slowdown in the Semiconductor Manufacturing Equipment market, combined with the Group's extra spending on key capex projects, made this challenging. In October the Board acted to safeguard the Group's balance sheet position by implementing a funding plan, which included cost and capex reductions, suspension of the dividend, an issuance of new shares and the renegotiation of our banking facilities. Suspension of the dividend was not a decision the Board took lightly, but it was appropriate in the circumstances. In combination, this materially reduced our borrowing and leverage by year-end. The Board's priority is to further reduce net debt leverage into the Group's previously stated range of 1–2x Adjusted EBITDA and then in the longer-term operate in the 0–1x range.

The disappointing end to the year masked some more encouraging signs. Growth for the year as a whole was healthy. We saw double-digit growth within the Healthcare and Industrial Technology sectors, aided by an improved supply chain performance which allowed backlog to be delivered. Demand from the Semiconductor Manufacturing Equipment sector moderated as the year progressed, after two very strong years, albeit with some sub-sectors showing continued strength.

We continue to enjoy leading positions in attractive markets with structural growth characteristics. They have underpinned our historic revenue growth, which has averaged 12% p.a. over the last ten years, and I am confident they will continue to do so for the longer term.

We successfully protected our gross margins from input cost inflation which continued to work its way through our supply chain in 2023. Our ability to pass through inflation underlines the strength of our brands and our market position.

Our growth in 2023 was weighted toward higher power and more technologically sophisticated products, which, in line with our strategy, are becoming an increasingly important part of our portfolio. We deepened our relationships with key customers by cross-selling them a wider range of products and have a growing pipeline of new products and customer projects to drive long-term growth. We also delivered a record level of new business wins which will support our growth in the medium-term. Our supply chain performance improved notably, with both delivery lead times and inventory levels reducing materially. We made solid progress with the transfer of production from facilities in the West to Asia, with more to come in 2024. While we were forced to re-locate two key sites within the USA in early 2024, both moves are now complete and will help to support our long-term growth. The Group extended its customer reach in Europe by entering into a continent-wide agreement with a leading distributor. We also delivered against our recently launched Sustainability Strategy and invested in our people.

Whilst the second half of the year was challenging, I remain focused on, and excited by, our long-term growth opportunities, which I believe we are well positioned to seize.

Our Board

I was honoured to succeed James Peters as Chair in April 2023. I would like to take this opportunity to thank James for an immeasurable contribution to the Group over his 35 years of service and as founder.

After a detailed search process as set out in the Nomination Committee Report, Matt Webb was appointed as the Group's Chief Financial Officer in September 2023. Whilst still relatively new to his role, Matt has contributed significantly, and I have no doubt will continue to do so. I would like to thank David Stibbs for fulfilling the CFO role on an interim basis whilst the search process was completed, and I am delighted he remains with us.

> I am continually impressed by the skill, experience and enthusiasm of members of the XP team, which only increases my confidence in our long-term prospects and potential.

Our People and Our Values

The success of any organisation is dependent on its culture and the people and talent within it. The Board engages regularly with the Executive Leadership Team and colleagues throughout the Group to ensure we are continuing to identify and develop our key people and bring new talent and capabilities into the business to help underpin our growth ambitions.

As previously announced, the Group restructured its cost base in the second half of the year in response to weakening demand. Restructuring actions were taken promptly to safeguard the future progress of the Group, whilst dealing compassionately and openly with those impacted. I would like to thank our employees for all their hard work throughout the year, but particularly for their support and forbearance whilst the restructuring plan was implemented.

As I travel across the Group, I am continually impressed by the skill, experience and enthusiasm of members of the XP team, which only increases my confidence in our long-term prospects and potential.

JAMIE PIKE
CHAIR

4 March 2024

→ READ MORE ABOUT OUR BUSINESS STRATEGY ON PAGES 22–23

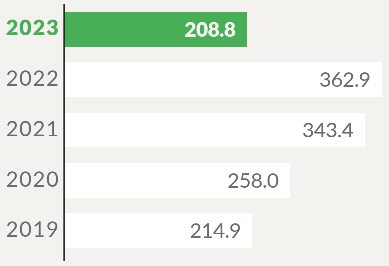
→ READ MORE ABOUT OUR SUSTAINABILITY STRATEGY ON PAGES 26–33

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial highlights

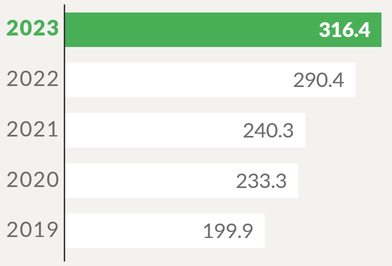
ORDER INTAKE (£m)

£208.8m



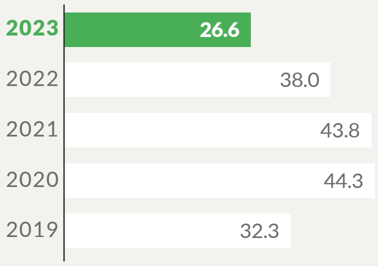
TOTAL REVENUE (£m)

£316.4m



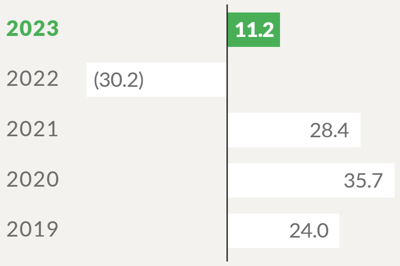
ADJUSTED PROFIT BEFORE TAX (£m)

£26.6m



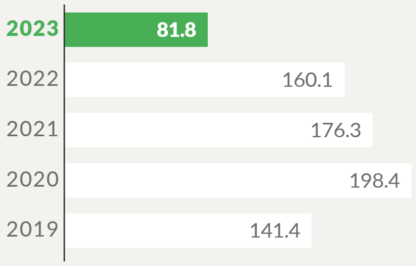
PROFIT/(LOSS) BEFORE TAX (£m)

£11.2m



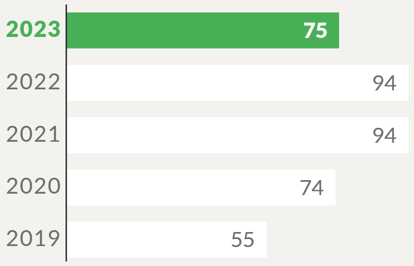
ADJUSTED DILUTED EARNINGS PER SHARE (p)

81.8p



DIVIDEND PER SHARE (p)

75p



Operational highlights

Progress in key strategic areas

→ READ MORE ABOUT OUR PERFORMANCE ON PAGES 34–39

- Product development: 11 new products launched and strong growth delivered within strategic areas, such as high-voltage/power categories
- Customer development: Improvement in project bidding activity during the year and growth in new business wins
- Supply chain performance: significant increase in manufacturing output, reduction in delivery lead times, and lower inventory
- Sustainability: Net Zero Transition Plan launched, targets approved by SBTi, significant reduction in emissions
- FuG business, acquired in 2022, is performing well with clear growth potential

REASONS TO INVEST

Despite the challenges faced in 2023, we remain confident in our ability to deliver sustainable profitable growth and to create long-term value for all stakeholders. We have a clear ESG framework and strategy, and our talented workforce help us develop the right products and capability to achieve financial success.

01

Sustained organic growth

A growing penetration of global, blue-chip customers has enabled sustained organic growth and provides exposure to high-growth markets.

→ READ MORE ABOUT OUR MARKETPLACE ON PAGES 14–19

02

Global supply chain operations

Our robust supply chain operations have a global footprint giving us flexible manufacturing capacity and the ability to engineer close to our customers.

→ READ MORE ABOUT OUR GLOBAL REACH ON PAGES 04–05

03

Attractive margins and cash generation

More attractive operating margins and lower capital investment requirements than many manufacturing industries enable us to deliver strong free cash flows.

→ READ OUR CHIEF FINANCIAL OFFICER'S REVIEW ON PAGES 44–50

04

Capital structure policy

Our financial framework is based on a leverage of 1.0–2.0x in the near term, reducing to 0–1.0x in the medium-term, allowing for a progressive dividend, and continued investment in capability and capacity.

→ READ OUR CHIEF FINANCIAL OFFICER'S REVIEW ON PAGES 44–50

05

Long-term customer relationships

Once our power converters are approved for use in our customer's end equipment, XP Power receives revenue annuity for the lifetime of the customer's equipment, which is typically seven years.

→ SEE PAGES 17–19 FOR MORE INFORMATION

06

Focus on sustainability

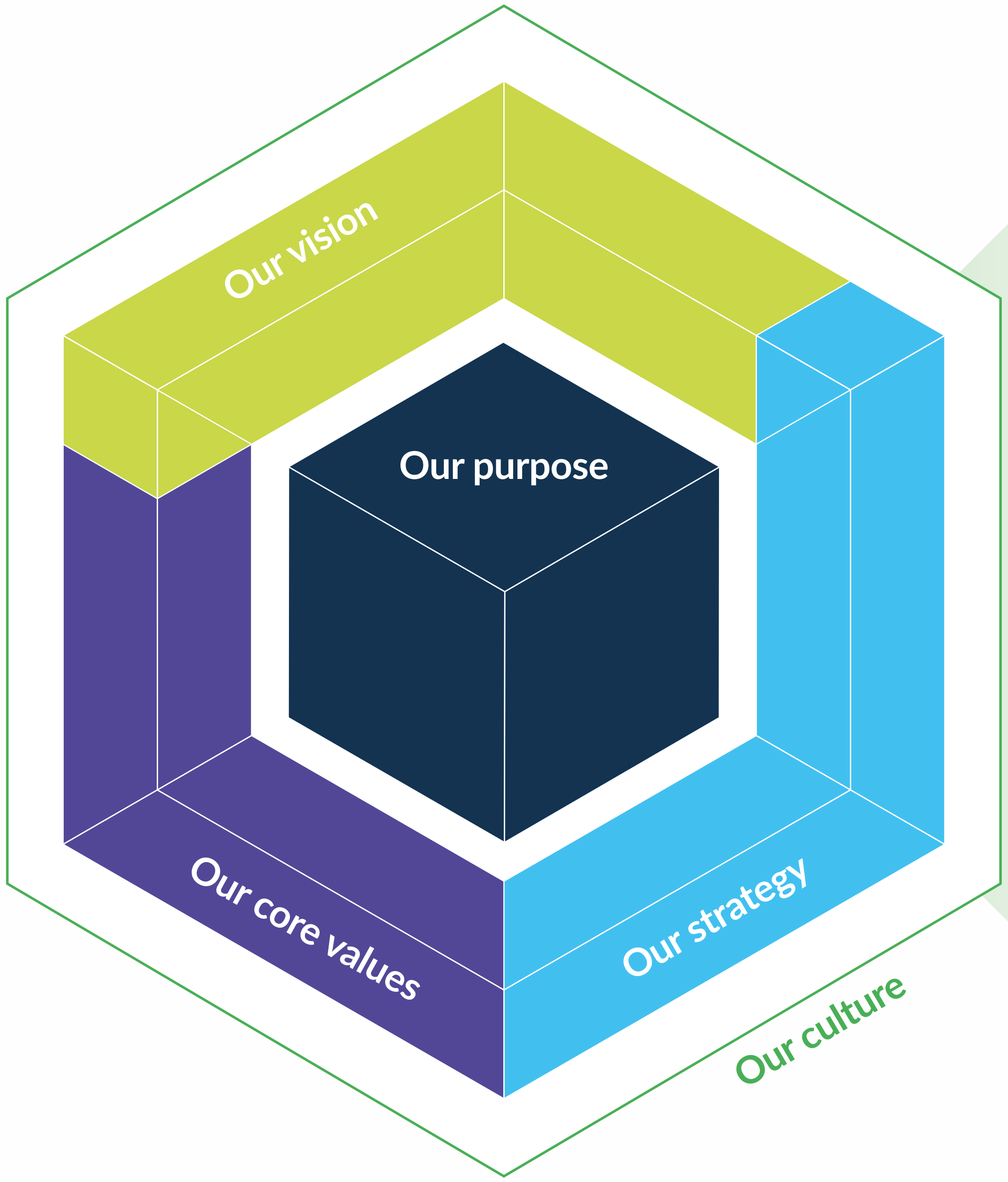
We aim to lead the industry on sustainability, by reducing energy consumption, prioritising our people, and enhancing our product design process. We aim to reach net zero by 2040.

→ SEE SUSTAINABILITY ON PAGES 26–33

OUR PURPOSE, VISION, STRATEGY, VALUES AND CULTURE

Our purpose underpins everything we do and links our vision and values with our strategy.

We link our purpose, vision, strategy, values, and culture to clearly communicate to our colleagues and drive our business forward.



Our purpose

Why we exist

We power the world's critical systems.

Being a purpose-led business

We add genuine customer value, helping them get to market quickly with complete power solutions. Our people understand how we create customer value.

Our strategy

How we will deliver our vision:

We have a well-articulated strategy that we have continued to refine and consistently execute over time.

Our sustainability strategy

Our sustainability strategy focuses on some of the most business material issues, ensuring that the value we create is for the long term.

Our culture

Our culture places our people and our customers at the heart of the business. Most importantly, it is driven by a mindset across XP that focuses on empowering our people to deliver long-term sustainable value, with talent and product development at its core.

Our vision

Where we want to be:

To be the first-choice power solutions provider, delivering the ultimate experience for our customers and our people.

Our core values

Our fundamental beliefs for continued success:

Our core values of Integrity, Knowledge, Flexibility, Speed and Customer Focus are our DNA and are fundamental to our success.

Integrity

Knowledge

Flexibility

Speed

Customer Focus

STRATEGIC REPORT

STRATEGIC REPORT

OUR MARKETPLACE

GROWING OUR ADDRESSABLE MARKETS

US$ billion
Estimated market

Low voltage
3.7

Process power
2.8

Total
6.5

XP Power
Estimated market

Low voltage
8.8%

Process power
2.4%

Total
6.1%

Source: Microtech Consultants and XP Power management estimates

We operate in a highly diverse market with a great opportunity to grow market share.

Overview

Our end markets can be broken down to the low-voltage market, powering electronic systems, and the high-voltage and radio frequency (RF) market, which powers processes such as plasma generation or some sort of particle acceleration or ionisation.

The fragmented nature of the market means we have numerous competitors, dependent on the product type, end application or geographic location with no competitor having a dominant share. We have strong relationships with the leading customers in higher growth market niches, which allows us to continue to grow our market share. This is particularly true in process power where our share is currently low.

Low voltage

US$3.7 billion

Total market value

Overview

The low-voltage market principally powers electronic systems and is highly fragmented globally.

Our response

Our broad, easily modified, up-to-date product portfolio combined with our engineering capability allow us to provide effective solutions to diverse application ranges.

High voltage

US$0.7 billion

Total market value

Overview

High voltage is an attractive market where, since acquiring the product range, we are finding new opportunities.

Our response

Our sales force is finding attractive opportunities in our existing customer base in Semiconductor Manufacturing Equipment, research, additive manufacturing, and healthcare applications for these products.

RF Power

US$2.1 billion

Total market value

Overview

The RF Power market is substantial and has attractive growth prospects. The semiconductor equipment manufacturers are significant users of this product but it is also used in healthcare and applications involving dielectric and induction heating.

Our response

The RF Power market presents an exciting opportunity for us to grow our revenues with customers who already value our service and support.

THE MARKET SECTORS WE SERVE

Our products serve markets in multiple sectors across our three geographic regions.

Semiconductor Manufacturing Equipment

The Semiconductor Manufacturing Equipment market softened during 2023 due to a market-wide cyclical downturn. However, we still see this as an attractive long-term growth sector as semiconductor device demand is driven by multiple factors such as pace of innovation, global shortage of semiconductors driving investment in capacity, artificial intelligence, big data, smart technology, and autonomous vehicles.

XP Power market overview

We are one of few worldwide companies that can offer the whole spectrum of power and voltage products required for semiconductor manufacture and have the capability to combine these into a complete power solution. This is particularly important to our customers as the latest generation of devices become more capital intensive to manufacture as they become multi-layered, and dimensions continue to shrink.

Performance this year

Our sales to this market declined by 10% in the year, but there were pockets of continued strength, particularly in high-voltage, high-power applications.

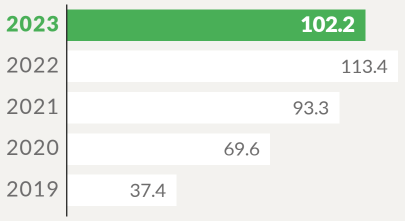
29%

Five-year CAGR

Revenue (£m)

32% total revenue

£102.2m



Industrial Technology

The Industrial Technology market is the most diversified of all our markets. There are no large individual programmes even though we are dealing with many blue-chip industrial customers.

XP Power market overview

We focus on fast growing niches in this market, such as robotics, test and measurement, 3D printing and additive manufacturing, smart grid, and analytical instruments.

Performance this year

Sales to the Industrial Technology market continued to grow through 2023. Increased manufacturing output allowed us to clear order backlog and restock the sales channel.

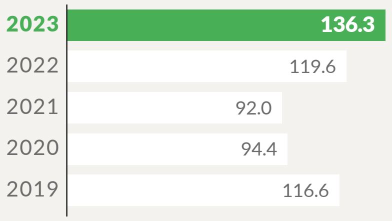
4%

Five-year CAGR

Revenue (£m)

43% total revenue

£136.3m



Healthcare

We have a broad medical power converter offering with full traceability of components and high-quality in-house manufacturing.

XP Power market overview

Healthcare remains an attractive market for us, given the long-term demand growth dynamics and the safety critical nature of products. Our broad medical product range and high level of customer service make our value proposition very attractive.

Performance this year

Activity levels in Healthcare recovered significantly in 2023, resulting in strong revenue growth. Order intake slowed as the year progressed with some customers reporting excess inventories as the year ended.

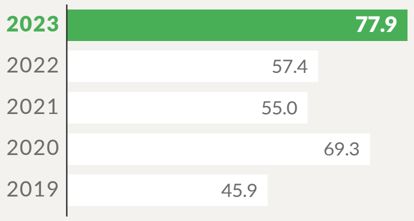
14%

Five-year CAGR

Revenue (£m)

25% total revenue

£77.9m

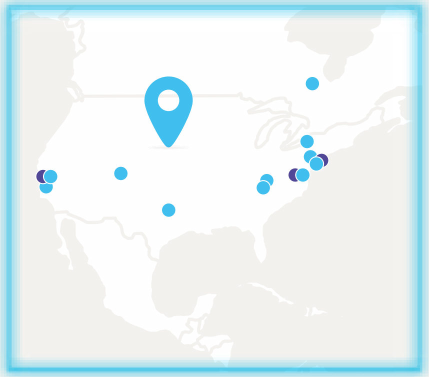


OUR MARKETPLACE CONTINUED

THE MARKET SECTORS WE SERVE

Key:
- ● Manufacturing
- ● Warehouse
- ● Sales offices
- ● Head offices

North America



North America is a significant power electronics market with many large customers, particularly in Healthcare and Semiconductor Manufacturing Equipment.

Market overview

In general, our North American customers are the most innovative and fast moving. We see this particularly in Healthcare. North America is also the de facto leader in Semiconductor Manufacturing Equipment – a sector we consider having strong long-term growth prospects for XP Power.

Performance this year

North America delivered double-digit sales growth in 2023. There was strong growth within the Healthcare sector, whilst sales to the semiconductor market normalised after two strong years.

12%
Five-year CAGR

Revenue (£m)
58% total revenue
£184.5m

Europe

The European market is much more fragmented than North America or Asia, as it contains numerous smaller Industrial Technology companies, as well as several larger Healthcare companies.

Market overview

Our European customers are principally involved in Industrial Technology with some Healthcare, but very little Semiconductor Manufacturing Equipment. It is our most diverse market.

Performance this year

Europe produced strong growth in all three market sectors.

FuG and Guth delivered record sales in 2023 and they are being supported by the wider XP sales team to increase their global reach.

11%
Five-year CAGR

Revenue (£m)
31% total revenue
£97.8m

Asia

Although Asia is a large market, much of it is unavailable to XP Power, as many customers value cost over service and support. Nevertheless, there are several significant niches where our proposition is compelling. Asia's up-and-coming Semiconductor Manufacturing Equipment market is particularly attractive.

Market overview

Markets in Asia are generally growing faster than in North America and significantly faster than in Europe. Although many applications are not attractive to us, there are many attractive areas that we can service with our more complex high-power and high-voltage products.

Performance this year

Asia sales declined in total compared to 2022, largely due to reduced demand from the Asian Semiconductor Manufacturing Equipment market, which was largely due to permitting issues experienced by one Chinese customer.

14%
Five-year CAGR

Revenue (£m)
11% total revenue
£34.1m

GROWTH DRIVERS AND MARKET CHALLENGES

We see many opportunities to expand our addressable market and customer base.

Healthcare

A global population that is both increasing and ageing, coupled with diagnostic technology advances and innovations in patient treatments, is driving the demand for more sophisticated healthcare devices. This makes healthcare an excellent investment sector.

The customers making this equipment value our proposition as they demand ultimate quality, reliability, and support. COVID-19 brought into focus that, generally, the healthcare infrastructure is inadequate in today's world.

How we are responding

We have the broadest, most up-to-date range of medically approved power converters in our industry and are the world's leading provider of healthcare power conversion products.

Link to

Strategy	Risks
	3, 4, 9

Proliferation of electronic devices

Electronic devices are becoming increasingly pervasive in our lives as new technologies develop. This trend is accelerating, driven by multiple factors such as pace of innovation, generative AI, big data, smart technology, AR/VR autonomous vehicles and electric vehicles.

These technologies all run on semiconductors, which are in high demand and drive investment in capacity to make them. This results in the demand for semiconductor manufacturing equipment, which is a key area of focus for us.

How we are responding

We have the broadest range of standard products in our industry, which are designed to be easily modified to power the customer's specific application. Many of our products are suitable to power semiconductor manufacturing equipment processes and electronics, and these customers value our engineering services proposition.

Link to

Strategy	Risks
	3, 4, 9

Connectivity and industrial revolution 4.0

Customers' applications are becoming more complicated and increasingly more connected, enabling the industrial revolution 4.0. Demand for communication between the customers' applications and power conversion solutions are rapidly expanding.

Power supplies are increasingly part of the customer ecosystem, with increased connectivity of the power converter to the customer's equipment.

How we are responding

Our Engineering Services Groups are providing complete power solutions, including connectivity to and from the customer's application, using firmware and software and, where required, internet connection.

Link to

Strategy	Risks
	3, 4, 9

Key:
- Develop a market-leading range of competitive products
- Target accounts where we can add value
- Vertical penetration of focus accounts
- Build a global supply chain that balances high efficiency with market-leading customer responsiveness
- Lead our industry on environmental matters
- Make selective acquisitions

Risks key

01	Disruption to manufacturing
02	Supply chain risks
03	Market/customer-related risks
04	Product-related risks
05	IT/data
06	Funding/treasury
07	Legal and regulatory
08	M&A
09	People-related risks
10	Climate-related risks

OUR MARKETPLACE CONTINUED

GROWTH DRIVERS AND MARKET CHALLENGES

Customer penetration

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

We have gained corporate approval at many blue-chip companies in recent years. We are now capitalising on these to win a larger share of the available business to those customers by expanding our product offering.

How we are responding

RF and high-voltage power solutions from our previous acquisitions have helped to increase our available market to US$6.0 billion.

Link to

Strategy	Risks
〽 ⧉ ⇅	4, 9

Climate change

Climate change and emission of greenhouse gases is becoming an increasingly significant issue as emerging countries develop and urbanise. We have taken a leading role in developing ultra-efficient products, which consume and waste less energy, and are suitable for use in healthcare and industrial applications.

How we are responding

We have developed a portfolio of XP Green Power products with class-leading efficiencies and have one of the most environmentally friendly manufacturing facilities in our industry.

Link to

Strategy	Risks
〽 🌱	1, 2, 3, 7, 10

Energy efficiency and reliability

The requirement from customers and legislation for products to consume and waste less energy is driving demand for more efficient power converters. This goes together with reliability for critical applications as ultra-high efficiency products do not require relatively unreliable fans to cool them, and cooler systems mean key components, such as electrolytic capacitors, have longer lifetimes.

How we are responding

We have developed a portfolio of XP Green Power products with class-leading efficiencies and low standby power, which can operate without fan cooling.

Link to

Strategy	Risks
〽 🌱	1, 7, 9, 10

Legislation

Our industry continues to be the subject of increasing legislation from numerous countries and standards relating to areas such as environmental impacts, safety requirements and, above all, energy efficiency. The compliance costs of complying with this legislation is notable. We are of a size where we can dedicate significant resources to this area, yet be agile to respond quickly with new products or documentation as required.

How we are responding

We have dedicated resources devoted to power converter legislation, including the latest safety regulations, which our customers value.

Link to

Strategy	Risks
〽	3, 7, 9

Capital equipment

Our products are designed into power capital equipment, so are subject to the capital equipment cycles. We have found growth niches in new industrial technologies such as 3D printing, analytical instruments, smart grid, and robotics.

New capital investment generally leads to greater productivity. We consider that the medium and long-term opportunities remain positive for capital equipment, particularly in emerging markets as labour costs rise significantly.

How we are responding

We have the largest direct sales force in our industry, together with the broadest product portfolio, so are well positioned to take advantage of growth in the capital equipment markets. We have also targeted newer and faster growth industrial sectors such as additive manufacturing, analytical instrumentation and robotics.

Link to

Strategy	Risks
⇅ ✉	2, 3, 4

Innovation

Our customers possess a competitive need to launch new products that offer increased productivity and functionality, while reducing harmful environmental impacts. In addition, our customers are trying to differentiate their products from their competitors, which frequently results in different or new power conversion requirements.

How we are responding

We have five design centres around the globe offering a diverse range of products and added new capability through the acquisition of FuG and Guth.

Link to

Strategy	Risks
〽 ⧉ ✉	4, 8, 9

Key:

〽	Develop a market-leading range of competitive products
✉	Target accounts where we can add value
⇅	Vertical penetration of focus accounts
☍	Build a global supply chain that balances high efficiency with market-leading customer responsiveness
🌱	Lead our industry on environmental matters
⧉	Make selective acquisitions

Risks key

01	Disruption to manufacturing
02	Supply chain risks
03	Market/customer-related risks
04	Product-related risks
05	IT/data
06	Funding/treasury
07	Legal and regulatory
08	M&A
09	People-related risks
10	Climate-related risks

OUR BUSINESS MODEL

Our business model has evolved from that of a specialist distributor, to designer, to design manufacturer.

Inputs

Our purpose and why we exist:

WE POWER THE WORLD'S CRITICAL SYSTEMS

Our values:

Integrity
Knowledge
Flexibility
Speed
Customer Focus

Our vision:

To be the first-choice power solutions provider delivering the ultimate experience for our customers and our people.

Key resources:

Strong relationship

with our suppliers, employees and shareholders.

Our people and leadership

An experienced and committed workforce, and a strong Executive team with a clear strategic vision.

Technology

We are investing in our future through our investment in infrastructure and technology.

Global reach and scale

Operational flexibility, speed, and the ability to reach global customers.

Key activities

01

Identify

We offer excellent service and support combined with class-leading products, selling to customers when we can add genuine value and collaborating on requirements. Our customers are at the heart of what we do.

We have carved out a leading position in our industry through our up-to-date, high-efficiency product offering, which is delivered to our customers by the largest and most technically competent sales engineering team. This is backed up by high-skilled power systems engineers, combined with the safety and reliability benefits of world-class manufacturing, providing a compelling value proposition to our customers.

Our approach

A new design programme is identified by a customer where we are an approved or preferred vendor. This is typically quite late in the customer's development cycle as they are usually unaware of the total power requirement of their system until they have a working prototype.

02

Design

We have transitioned our business from a specialist distributor, to designer, to design manufacturer. This has enabled us to ascend the value chain, growing revenues and margins.

Through acquisition, we have moved further up the power and voltage scale, fulfilling more opportunities presented to us by our target customers.

We have design engineering teams on three continents, allowing us to release many innovative new products required by this highly diversified market. These products often have class-leading energy efficiency and small footprints to meet the ever-increasing demands of our customers. Additional engineering service teams in Germany, North America, Singapore, and the UK can provide value-added services close to our key customers.

Our approach

We can provide modified product solutions, which allow the customer to easily integrate the power converter into their equipment.

03

Manufacture and distribute

Supply chain management is critical to our success. Quality and reliability are paramount to our customers who often provide critical healthcare or industrial systems.

Therefore, we need excellent suppliers with high-quality standards. Our rigorous approval process analyses all aspects of a supplier before engagement. This includes a review of prospective suppliers' quality systems and standards, their financial viability, environmental performance, and treatment of their people.

Our global footprint and multi-site, low-cost manufacturing and our network of sales, engineering and manufacturing provides us with the flexibility of a global organisation and the ability to partner with our customers locally.

Our approach

We manufacture most of our own products, allowing us to ensure excellent quality, and opearte an agile supply chain to meet customers' needs.

Our impact and social-economic contribution

Aligned to the United Nations Sustainable Development Goals

We have aligned our sustainability strategy to the United Nations Sustainable Development Goals to ensure that as we develop our strategy, we are clear on how our efforts can be aligned to the wider sustainability agenda.

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Value generated for our stakeholders

Our people

We provide a safe and healthy working environment that is stimulating and collegiate. We take the approach: if we look after our people, they will look after our customers.

Our customers

We solve our customers' power problems and help them get to market quickly, providing innovative solutions that are reliable and reduce the running costs of our customers' equipment.

Our suppliers

We behave ethically and build long-term relationships with our key suppliers. We abide by our rigorous Code of Conduct dealing with ethics, health and safety employee relations and environmentally friendly practices, and require the same from our suppliers.

Our communities and the environment

We produce XP Green Power products that consume less energy and materials and avoid the use of hazardous substances. We have the most environmentally friendly manufacturing facility in our industry, and support our people with paid leave to contribute to the communities we operate in.

Our shareholders

We execute our published strategy on a consistent basis which we believe will generate long-term value for shareholders. We allocate our capital appropriately and maintain a dividend policy.

3.99

Employee engagement score last year

102

New product families released over a five-year period

OUR STRATEGY

We have a clear and consistent strategy of moving up the value chain through our internally developed products and adding complementary products through acquisitions. We target key accounts where we can add genuine value.

Develop a market-leading range of competitive products

We need a market-leading range of products to be attractive to our customers. This range must be broad due to the fragmented nature of the markets we serve, which have diverse product requirements. The broader and more relevant our product range, the more likely we are to have a product that meets a customer's needs.

Target/goal

To release sufficient products to achieve at least a 10% organic revenue growth through the market cycle.

Past performance

Recently, we have been expanding our product portfolio and have developed several highly efficient, leading-edge products.

Planned future actions

We are focused on developing product platforms that are easy to modify and can be reused over multiple sectors and applications, and on expanding our portfolio of XP Green Power products with class-leading efficiencies and low standby power.

Link to

Material issues	KPIs	Risks
1, 3, 8	A, D, E	3, 4

Target accounts where we can add value

We pride ourselves in the level of service and support we offer to customers, particularly during the design-in stage. We have a compelling proposition where customers expect excellent quality and reliability to power their mission-critical equipment, particularly where they face a power problem due to either heat dissipation or electrical noise. These are our target customers.

Target/goal

Organic revenue growth of more than 10% through the market cycle.

Past performance

We have targeted customers where reliability is key or where their equipment may be in harsh environments. These customers value the support and service that our highly trained sales force and power systems engineers deliver.

Planned future actions

We are prioritising our resource on the customers that fit our value proposition. We are de-emphasising customers that may have significant revenue potential but where cost is a more critical factor than quality and reliability, or engineering support during the design phase.

Link to

Material issues	KPIs	Risks
1, 3, 8, 9, 11	A, B, C, D	3

Vertical penetration of focus accounts

We still have a relatively small share of the available business in some of the accounts we call on. We are continuing to expand our product portfolio so we can address more opportunities that are available to grow our revenues.

Target/goal

Organic revenue growth of more than 10% through the market cycle.

Past performance

We have spent recent years gaining approved or preferred supplier status with the key healthcare, industrial technology, and semiconductor manufacturing equipment sector customers. We are focused on this existing customer base to grow our revenues.

Planned future actions

As we expand our product offering through continued product development augmented by acquisitions, we aim to address an increasing proportion of our customers' requirements with our excellent service and support.

Link to

Material issues	KPIs	Risks
3, 7, 8	A, B, C	1, 2, 3

Build a global supply chain that balances high efficiency with market-leading customer responsiveness

Since listing in 2000, we have built a strong brand in the power converter market. This, together with our product portfolio and excellent customer service, has allowed us to consistently take market share and grow significantly. As the Company grows, we need to upgrade our systems and processes, especially supply chain processes, to sustain our growth.

Target/goal

Reduction in manufacturing costs, freight and logistics, alongside consistent improvement in lead and delivery times.

Past performance

We have evolved from a distributor to a manufacturer, with facilities in China, Vietnam, and North America, and we have invested to increase capacity and flexibility.

Our new ERP system went live in 2022 and is helping the Company to scale more effectively.

Planned future actions

Continue to support and optimise the ERP implementation across the Group.

Our new Malaysian facility is expected to be operational in 2026 and will complement both Vietnam and our original China plant to meet the demand across the world, allowing for further expansion. Our overall objective is to provide a resilient and flexible supply chain, manufacturing most products in Asia.

Link to

Material issues	KPIs	Risks
1, 2, 7, 8, 11	A, C, G	2, 3, 7

Lead our industry on environmental matters

Strong corporate social responsibility is important to our customers, employees, and the communities we operate in. This incorporates environmental performance, health and safety, treatment of our people and business ethics.

Target/goal

Excellent health and safety performance and consistent reduction in our CO_2 intensity.

Past performance

We are a full member of the Responsible Business Alliance (RBA). The RBA Code of Conduct, to which we comply, addresses important ethical and environmental matters, which we strongly endorse.

Our near and long-term targets with the Science Based Target initiative (SBTi) have recently been approved.

We have established a Sustainability Council to meet regularly, ensuring our sustainability targets are met.

We are committed to achieving Net Zero by 2040.

Planned future actions

We will remain a committed member of the RBA.

We will take the necessary steps in our carbon transition plan to meet net zero targets.

Link to

Material issues	KPIs	Risks
1, 2, 3, 8, 11	F, G	1, 3, 9, 10

Make selective acquisitions of complementary businesses to expand our offering

Our cash-generative business model allows the capacity to pursue complementary business acquisitions subject to the application of our borrowing leverage policy. This is another avenue to expand our product offering and addressable market.

Target/goal

Bolt-on acquisitions driving inorganic revenue growth.

Past performance

Through our recent acquisitions, we have added both RF Power and high power/high voltage to our product range, including through the 2022 acquisition of FuG and Guth.

Planned future actions

We will continue to integrate recent acquisitions into our global supply chain, product development and sales structures to maximise growth opportunities.

Link to

Material issues	KPIs	Risks
3, 4	A, B, C, F	8

Material issues key:

01	Product responsibility (safety and quality)
02	Responsible supply chain
03	Product solutions and innovation
04	Attracting retaining and rewarding talent
05	Employee welfare
06	Health and safety (inc. occupational)
07	Ethical conduct and compliance
08	Energy efficiency
09	Waste management
10	Diversity and equal opportunity
11	Emissions

KPI key:

A	Revenue growth
B	Revenue from top 30 customers
C	Adjusted operating cash conversion
D	Adjusted diluted earnings per share growth
E	New product families released
F	Employee engagement score
G	Lifetime CO_2 emission savings from products

Risks key:

01	Disruption to manufacturing
02	Supply chain risks
03	Market/customer-related risks
04	Product-related risks
05	IT/data
06	Funding/treasury
07	Legal and regulatory
08	M&A
09	People-related risks
10	Climate-related risks

OUR STRATEGY IN ACTION

The keystone of our strategy is to develop a market-leading range of easily modified, competitive platform products, aimed at solving critical power challenges for our customers in our key sectors and expand our portfolio of leading efficiency products.

- Develop a market-leading range of competitive products.
- Vertical penetration of focus accounts.
- Lead our industry on environmental matters.
- Target accounts where we can add value.

What we've done this year

In December 2023, we launched our latest digital high-power portfolio product, the HPF3K0.

This new addition enables us to expand our reach in key sectors and focus customers.

The product is fully digital making it configurable and extremely flexible, enabling customers to match future energy efficiency and data/AI requirements.

The product has gained the approvals necessary for use in semiconductor, medical and industrial safety applications, making the HPF3K0 a perfect solution for critical end markets such as semiconductor manufacturing, medical imaging, medical robotics and renewables.

The market for high power, open-frame/enclosed products is expected to grow faster than other power ratings, with a five-year CAGR of c.13% in revenue and CAGR of c.18% for unit shipments, reaching US$1.4 billion in size and 5.3 million units in 2027.

The CT-Scanner, a medical imaging product, has higher power AC-DC requirements for multiple applications.

The HPF series – scalable, digital, configurable

Key features:

- More accessible, single-phase input for higher power product.
- Digital, configurable, scalable platform.
- Ease-of-use optimised design.
- Expanded configuration capabilities.

Key competitive advantages:

- Medical safety approvals.
- Class B conducted emissions.
- Digital and control features.
- Higher efficiency.

2024 plan

The high powers portfolio gives us the platform and ability to solve critical future challenges. In 2024, we will continue our strategy to focus on customers where these product capabilities add value in solving critical real-world challenges and enable sustainable growth.

OUR SUSTAINABILITY REPORT 2023

INTRODUCTION TO SUSTAINABILITY FROM THE CEO

> Whether it is through the way we run our operations or the products we develop and bring to market, sustainability is, and will remain, an integral part of our strategy.
>
> **GAVIN GRIGGS**
> CHIEF EXECUTIVE OFFICER

Sustainability is important to XP Power and all our stakeholders. We have a proud legacy on which to build, being the first power converter manufacturer to be admitted into the Responsible Business Alliance, and it remains an integral part of our Company strategy.

First and foremost, sustainability is about doing the right thing for our planet and each other. We have a moral obligation to act now with pace and purpose. This remains our primary motivator. Our biggest focus is on dramatically reducing our impact across the whole value chain from everything we buy, to everything we do and everything we sell, with an emphasis on efficiency and achieving net zero by 2040. To this end, we are proud to report that both our near and long-term targets have been validated by the Science Based Target initiative (SBTi) and that we have further improved our CDP Climate Change score to an overall B rating. Our net zero pathway will reduce greenhouse gas emissions from our operations, the raw materials used to make our products, and our products in use. It will be an enabler of good business in using resources more efficiently, to do more with less, and act as a guiding principle in refreshing our product portfolio. A summary of our Net Zero Transition Plan is included in the following pages, and we have already made progress in reducing emissions in the first year of the plan.

XP Power has a strong history of innovation and engineering excellence in creating highly efficient products. These provide an ongoing commercial opportunity, while progressing our own sustainability agenda and supporting customers to reduce their own carbon footprint. This is a key path to strengthening our market leadership and building our reputation with customers. We have invested in our operations, infrastructure, technology, people and communities, and will continue to do so. This is helping to embed sustainability into the everyday operational fabric of our business, influencing all our decisions and actions across the Group. All our colleagues have a part to play and the shared diversity of thoughts, ideas, experience and skills, in the Group will help embed sustainability as business as usual.

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

4 March 2024

→ READ MORE ABOUT OUR MARKETPLACE ON PAGES 14–19

→ READ MORE ABOUT OUR FINANCIAL POSITION ON PAGES 44–50

OUR SUSTAINABILITY STRATEGY IS TO:

01

Produce quality products that are safe and solve our customers' power problems

Our power converters are the safety critical element of the end application providing the isolation barrier between the end user and the relatively high-voltage mains electricity.

Link to
Material issues
1, 3

→ SEE PAGES 64–66 FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

02

Minimise the impact we, and our products, have on the environment and adopt responsible sourcing practices considering social and environmental impacts

Our sustainable business goal is to be the leader of our industry regarding environmental matters, and to minimise the impact we and our products have on the environment.

Link to
Material issues
8, 9, 11

→ SEE PAGES 67–72 FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

03

Make XP Power a workplace where our people can be at their best, ensuring an environment that is safe, diverse, inclusive and attracts and retains the best talent

Our sustainable business goal is to improve the physical and mental health of our employees, provide them with a safe place to work and to create an environment where our people can be their best.

Link to
Material issues
4, 5, 6, 10

→ SEE PAGES 73–79 FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

04

Uphold the highest standard of business ethics and integrity

Our sustainable business goal is to have zero breaches of our Code of Conduct and uphold the highest standard of ethics and integrity.

Link to
Material issues
2, 7

→ SEE PAGES 80–81 FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

Material issues key:

01	Product responsibility (safety and quality)
02	Responsible supply chain
03	Product solutions and innovation
04	Attracting retaining and rewarding talent
05	Employee welfare
06	Health and safety (inc. occupational)
07	Ethical conduct and compliance
08	Energy efficiency
09	Waste management
10	Diversity and equal opportunity
11	Emissions

OUR SUSTAINABILITY REPORT 2023 CONTINUED

OUR SUSTAINABILITY STRATEGY

We have used our materiality analysis results from 2021, (see page 54 of our 2021 Annual Report) to focus our sustainability strategy on issues that matter most to the Group from a financial and business purpose perspective, and that impact society and our stakeholders. The material issues we identified shape our sustainability strategy, priorities, approach and reporting. We group our material issues into four areas, aligned to the UN Sustainable Development Goals (SDGs) that are supported by each area.

As sustainability is core to the XP Power business strategy, we have a robust structure of sustainability oversight in place. The Sustainability Council is a cross-functional team chaired by the CEO, which meets quarterly and is tasked with the formation and successful delivery of the XP Power Sustainability Action Plan and, within this, the Net Zero action plan. The Sustainable Development Working Group, led by the Group's Sustainability Lead, sits below the Sustainability Council, and meets monthly. The Working Group has more of an operational remit, managing and tracking the progress of specific sustainability projects. This year, the Group has also appointed site representatives for key sites, responsible for regular monitoring and reporting of site-specific sustainability metrics and risks, as well as being responsible for the implementation of corporate projects at the site level. Full details of our sustainability governance model and its responsibilities are outlined in the Task Force on Climate-related Financial Disclosure (TCFD) Report (pages 82–89).

ACHIEVEMENTS IN PAST 12 MONTHS

- Our emissions targets have been approved by the SBTi. This covers our long-term target of net zero across our value chain for 2040 and interim targets for Scope 1 and 2 and for Scope 3 for 2030 based off a 2022 base year.
- Established representatives for key sites, responsible for regular monitoring and reporting of site-specific sustainability metrics and risks, as well as being responsible for the implementation of corporate projects at the site level.
- Creation of Group Product Responsibility Policy.
- Published our Net Zero Transition Report.
- Achieved a B grade in CDP Climate Change (2022: grade C).
- Purchase of Renewable Energy Certificates (RECs) that covers c.98% of our Scope 2 emissions.
- In recognition of our credentials as a responsible and sustainable business, XP Power has maintained its position in the FTSE4Good Index.
- Enhanced our reporting against the TCFD by starting to internally quantify the internal financial impact of potential climate-related risks and opportunities.
- Shipped XP Green Power products resulting in minimum lifetime CO_2 emission savings of 140,300 tonnes.
- Creation of a new supplier survey, covering a range of ESG topics, which has been rolled out to our tier 1 suppliers.
- Launched the XP Power Women Employee Resource Group (WERG) to support women by providing them a platform to share their experiences, network and develop their skills.

PRIORITIES FOR 2024

- Develop and start to implement site-specific plans to reduce emissions in our own operations.
- Further embed sustainability throughout the Group's strategic decisions.
- Continue to enhance the Group's ISO 14001 coverage at further sites.
- Analyse results of initial supplier surveys on climate change, and sustainability more widely, and develop action plans for key suppliers as appropriate.
- Updating how we define and classify our XP Power Green Power Products to specify a detailed hierarchy related to efficiency levels in our products, providing a more precise stratification of our product suite by use phase efficiency.

XP POWER

TRANSITION PLAN

NET ZERO PLAN

Objectives and targets

Sustainability is integral to our strategy with our 2040 net zero commitment a key element. Based on our emissions exposures, we have formulated a Group-level net zero transition plan to meet this commitment. Our plan encompasses the actions we must take, as well as supplier and value chain inputs to lower emissions from the production and use of our products. These actions will allow targets to be met at the required pace to reduce emissions in line with the Paris Agreement goals, ensuring our contribution to the UK's commitment to reaching net zero by 2050.

Our aim is to be net zero across Scopes 1, 2 and 3 by 2040 with minimal use of offsets. Our absolute emissions reduction targets, which have been approved by the Science Based Targets initiative (SBTi), are to:

- Reduce absolute Scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year.
- Reduce absolute Scope 3 GHG emissions 25% by 2030 from a 2022 base year.
- Reach net zero GHG emissions across the value chain by 2040.

XP POWER

TRANSITION PLAN CONTINUED

Business model implications

Our overall business strategy, designed to produce sustained significant growth for the future through continued innovation and product quality across our markets, already integrates emission reduction activities within it.

Nevertheless, we recognise that our ambition and pace for operational, and value chain emissions reduction needs to increase. We plan to accommodate these changes, especially near-term science-based target requirements, through business-as-usual process enhancements, and existing asset replacement and product upgrade cycles. Consequently, we cannot foresee any material changes to our resource allocation or operational and capital expenditure.

To meet our plan, our team have begun to scope out Group and site-level projects and initiatives. Our Sustainability Council, who have responsibility over net zero delivery plans, monitor our project list. This list contains already assessed, and potential projects based on existing technology. A summary of our focus areas and key decarbonisation levers is shown opposite.

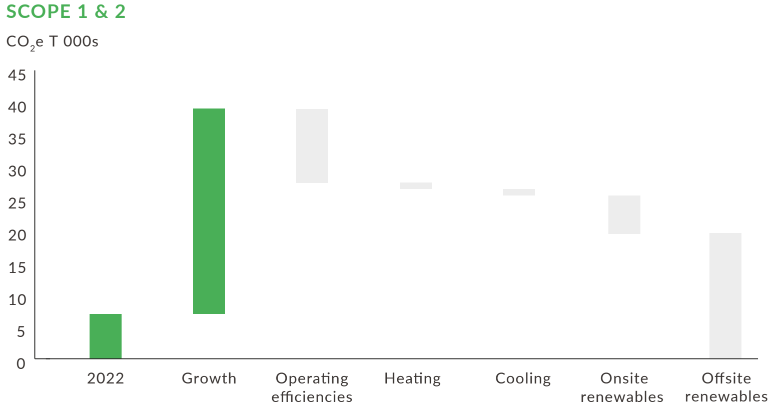
Our plan – Scope 1 and 2 emissions

Although only approximately 1% of our overall footprint is from Scopes 1 and 2, we believe it is still necessary to decarbonise anything within our full control.

As our operations are not particularly carbon intensive, most improvements will come from a variety of small, site-based improvements. For Scope 1, we currently use natural gas, or in some sites LPG heating, which we are looking to move to electrical heating over time. The only carbon intensity asset we operate are back-up generators, used at a couple of sites to ensure production continuity throughout grid outage periods. More recently, our need for generators has decreased materially and we will decide, in the medium term, whether to retire or replace them with low carbon alternatives. For the long term, we will transition our air conditioning units away from high global warming potential HFCs, as and when refrigerant technology allows. Finally, we anticipate ongoing efficiencies as we make upgrades and process changes across a range of equipment and business processes.

In addition to these site-based activities to improve efficiency, we are also pursuing renewable electricity opportunities. Some sites currently have solar panels, and we will look to expand this, maximising what is possible on our sites. However, time is needed to implement this, and even then it will not provide all our electricity needs, so as an interim measure, we have purchased renewable electricity generated off-site, via energy attribute certificates. These were purchased to cover 2023 electricity emissions across the Group, which covers c.98% of our Scope 2 emissions. This has reduced our market-based Scope 2 emissions.

Drivers of Scope 1 and 2 emissions reduction by 2040



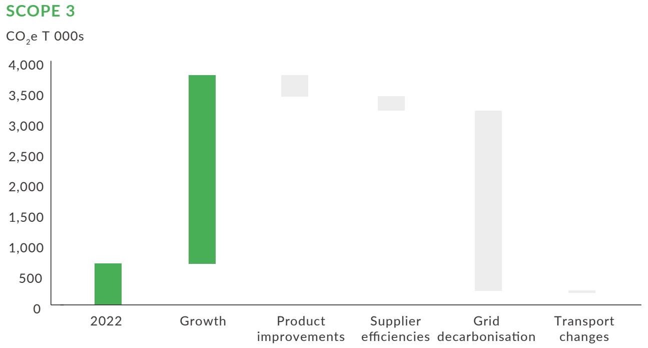
Our plan – Scope 3 emissions

Scope 3, or value chain emissions, dominates our total emissions footprint accounting for 99% of our total emissions. Our biggest emission impacts are from our products in use, so the more efficient we can make our products, the lower these lifetime emissions will be.

As a result, our major area of focus is our product innovation process where we can influence emissions by designing for low carbon. From analysing our products' carbon footprint, we can better understand impact areas and identify improvement opportunities. By increasing overall product efficiency, reducing the number of components in a product, and selecting lower carbon intensive components, we can significantly reduce both the upstream and downstream impacts of our product range. We have introduced these factors into our new product processes for both internally, and third-party manufactured, products.

The phase-in of improvements in our product cycle will take time. Aside from our own internal product development process, our products have a long market lifetime. Additionally, due to the critical nature of our power supplies in our customers' equipment, stringent regulations and customer approval processes need to be accommodated. As such, short-term reduction impacts are unlikely, with the majority coming into the long-term horizon. However, if customers begin to focus on improving their own operating efficiency, the pace of product replacement may increase.

Driver of Scope 3 emissions reduction by 2040



Regardless, the single biggest factor in our ability to hit net zero by 2040 is the decarbonisation of electricity grids globally, which will impact the lifetime emissions from our products in use by our customers. We clearly cannot directly influence this but rely on governments to implement appropriate policies to achieve this, and historic progress has been positive. Further significant improvements are projected, without which, we cannot be a net zero company. As outlined in our TCFD Report, we use the IEA's NZE scenario to factor in our expectations in this area.

We have started working collaboratively with our main suppliers to achieve carbon reductions, and we expect our suppliers to be making efficiency improvements to their operations. Typically, improvements are around 2% p.a. from a combination of upgrading equipment, electrification of heating, and other operational efficiency actions. This year, we initiated our supplier engagement process, both for third-party product suppliers and component suppliers. We are currently reviewing the initial phase feedback and this analysis will determine our approach going forward, and likely timescales.

Transport-related emissions is another activity category. Most of our products are shipped by sea, however, some are by air owing to customer demands for short lead times. Recently, air freight has increased as a proportion due to supply chain issues felt by the whole electronics industry. Some changes have already been made in 2023 as we look to redress this balance, however, rather than acting unilaterally, we are mindful of customer needs, therefore, this may take time. We are also looking at how we package and ship our products to highlight opportunities for reducing the overall emissions footprint associated with product logistics.

Finally, we are continuing to seek reduction opportunities from business travel and employee commuting, making full use of technology to reduce the need for travel and encouraging low carbon options such as public transport and EV cars. Although each of these areas is small in overall terms compared with the impacts of our products in use, we believe it is important to work to the principle of "every kg of carbon counts" and reduce wherever possible.

Our progress on these initiatives can be monitored through our Annual Report and our CDP Climate Change disclosures.

We have started with an overall emission reduction in 2023 versus 2022 that is ahead of our planned pathway mainly as a result of business mix change and reduction of inventory affecting purchases (further detail can be found later in the Sustainability section). There will inevitably be year-to-year variation, but we have seen an encouraging start to our net zero ambition.

CHIEF EXECUTIVE OFFICER'S REVIEW

> 2023 was a challenging year for the Group, but we are confident our market positions remain strong and we are well positioned as our key markets return to growth.
>
> **GAVIN GRIGGS**
> CHIEF EXECUTIVE OFFICER

Review of our year

The Group delivered revenue of £316.4 million in 2023, 9% higher than prior year in constant currency. Over the last ten years, revenue growth has been consistently strong, averaging 12% p.a., as we have amassed a growing share of attractive markets with healthy, long-term growth attributes.

Revenue growth was strongest in the first half of 2023, at 24% in constant currency, as an improved supply chain performance allowed us to deliver our order backlog. Revenue grew significantly in all three of our market sectors in this period: Semiconductor Manufacturing Equipment, Industrial Technology and Healthcare.

The pace of progress moderated as the year progressed. Second half revenue was 2% lower than prior year in constant currency as we faced tougher comparatives and began to experience the impact of the industry-wide slowdown in demand from the semiconductor equipment market after three strong years. Slower market conditions prompted some semiconductor customers to cancel or defer deliveries at the start of the second half, but delivery schedules have remained firm since. Sales to Industrial Technology and Healthcare customers continued to grow, albeit at a reduced pace.

We started 2023 with an elevated order book of £308.4 million, reflecting both strong demand and a supply chain limited by component shortages in previous years. Our order intake reduced to £208.8 million in 2023 (2022: £362.9 million) following two years of unprecedented activity levels in the aftermath of COVID-19, representing a book-to-bill of 0.66x. This reflected the slowdown in the Semiconductor Manufacturing Equipment market and growing confidence in supply chain performance, allowing customers to place orders later, remove buffer inventory and reduce safety stocks of our products. However, the slowdown in order intake had very little impact on our 2023 revenue, which continued to be supported by the delivery of the backlog brought into the year. It is encouraging to see that our design wins continued and we achieved a record level, 7% ahead of the previous record year. This combined with continued strong sampling rates supports our medium-term outlook.

> Progress had been made against our strategic priorities of Product, Customer and Supply Chain Development and Sustainability.

The slowdown in sales in the second half of the year, combined with unexpected additional investment in the relocation of two key US sites, initially left our net debt materially above our target leverage range of 1–2x Adjusted EBITDA with insufficient borrowing headroom versus our banking covenants. We responded by implementing a comprehensive funding plan in October 2023, described in more detail in the Chief Financial Officer's Review. I believe the plan was appropriate to the circumstances and in the Company's best long-term interests. The plan had materially lowered our borrowing and leverage by year-end and we are continuing to prioritise debt reduction in 2024. We should have been better prepared to withstand the trading challenges we have faced and I am therefore focused on taking the steps necessary to navigate this challenging period and build greater operational resilience. In the longer term, we aim to reduce our leverage range to 0–1x Adjusted EBITDA.

The reduction in borrowing and leverage delivered in the second half was supported by strong operating cash generation, with operating cash conversion of 218% in H2 and 173% for the year as a whole. The strong progress towards the end of the year was aided by inventory reduction, which was particularly pleasing to see given it is an important element of our debt reduction plan.

Sales toward the end of 2023 were slightly above our expectations, due largely to our decision to reschedule the relocation of our facility in California from December 2023 to January 2024, which had the effect of bringing forward some deliveries into late 2023.

Following a thorough review, we identified some capitalised product development costs that needed to be amortised or impaired, adding a non-cash charge of £4.0 million to costs. These costs are discussed in more detail in the Chief Financial Officer's Review. This left full year Adjusted operating profit at £38.1 million. These costs had no impact on cash or borrowing leverage ratios.

Revenue by market

Group revenue grew by 9.0% to £316.4 million, including constant currency growth of 9.3%, and (0.3)% from currency movements.

The breakdown of revenue growth by sector was as follows:

	% of Group revenue	Revenue growth/(decline) %
Semiconductor Manufacturing Equipment	32%	(9.7%)
Industrial Technology	43%	13.8%
Healthcare	25%	37.2%
Total – In constant currency	100%	9.3%
Currency movements		(0.3%)
Total		**9.0%**

→ READ MORE ABOUT OUR BUSINESS STRATEGY ON PAGES 22–23

→ READ MORE ABOUT OUR SUSTAINABILITY STRATEGY ON PAGES 26–33

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Revenue growth was driven by Industrial Technology and Healthcare markets, partly offset by the cyclical slowdown in Semiconductor Manufacturing Equipment.

Semiconductor Manufacturing Equipment

Sales to the Semiconductor Manufacturing Equipment sector grew by 5% in constant currency in the first half of the year as we delivered a backlog of orders built up in the preceding two years. Sales declined by 22% year-on-year in the second half against a tough comparative, reflecting the cyclical slowdown in semiconductor investment spending, leaving revenue 9.7% lower for the full year. Our performance was helped by our over-weight positions in more resilient sub-sectors such as deposition, etch and trailing edge chip manufacture which were less impacted by the slowdown. Order intake in the year totalled £59.4 million and book-to-bill was 0.58x.

Whilst the overall market softened, there were pockets of continued strength. We increased production of our high voltage high power range by nearly 50% to meet high demand, with a further increase planned for 2024.

The US and Chinese governments tightened controls over the export of semiconductor manufacturing equipment in the year. Whilst very few of our sales are directly impacted by these controls, their introduction did disrupt the production of one of our key customers in China, with sales slowing whilst the necessary permits were sought. The ongoing uncertainty is an issue the Group will seek to navigate but it will limit expansion in China for some of our product portfolio.

The prospects for this sector are very attractive and we continue to expect long-term market growth averaging 10% p.a., underpinned by the manufacturing expansion required to keep pace with future demand for technologies such as AI, IoT and electrified transportation. Given our customer exposure, we expect to grow ahead of the market. Whilst sales into this sector are likely to remain subdued in the first half of 2024, we continue to expect to see an improvement in order intake in the second half and a stronger performance in 2025.

Industrial Technology

Sales to the Industrial Technology sector grew by 26% in constant currency in the first half of the year and 4% in the second half.

Increased manufacturing output allowed us to clear order backlog and restock the sales channel, supporting revenue throughout the year. Order intake in the year was £92.4 million and the book-to-bill was 0.68x following a slowdown in intake during the second half.

During the year, we signed a sales agreement with a leading, pan-European "design in" distributor, simplifying our European distribution arrangements and increasing our ability to bid on small to medium-sized customer projects, to allow our own sales team to focus on larger accounts. With the new structure in place, we now have the right platform for long-term growth, particularly within the Industrial Technology sector.

Healthcare

The Healthcare sector saw a reset in 2022 after two preceding years of strong demand for products used in the treatment of critical illnesses particularly COVID-19 during the pandemic. We were therefore pleased to see activity levels recover strongly in 2023, with a more normal mix of end uses. This resulted in revenue growth of 37% for the year in constant currency, the highest of any sector. Activity remained strong throughout the year.

Progress was strongest in North America as we switched more of our manufacturing capacity toward the fulfilment of orders from the Healthcare sector as the semiconductor equipment market cooled. Order intake for the year was £57.0 million and the book-to-bill was 0.73x. Order intake slowed toward the end of the year, with customers reporting excess inventories in early 2024. As global supply chains have normalised for the first time post-COVID, customers are now focused on reducing their inventory levels.

Regional performance

Sales to North America totalled £184.5 million, up 11% in constant currency. The region saw strong growth within the Healthcare sector, with sales to customers in the semiconductor market slowing after two strong years, particularly within low voltage product categories.

Sales to Europe totalled £97.8 million, up 13% in constant currency, with all three market sectors growing. This included record sales from FuG, a business acquired by the Group in 2022. As highlighted at the time of acquisition, we are supporting the future progress of this business by using our sales team to increase its global reach.

Sales to Asia totalled £34.1 million, down 6% in constant currency due largely to reduced demand from the Asian Semiconductor Manufacturing Equipment market. This was largely attributable to permitting issues experienced by one Chinese customer, which we hope will be resolved in due course.

Delivery of our strategy in the year

Our vision is to be the first-choice power solutions provider and deliver the ultimate experience for our customers and our people. Over time we have expanded our product portfolio up the power and voltage scale to provide our customers with a broader offering to meet their power needs. We have added high voltage and radio frequency (RF) technology and increased our engineering resource to provide enhanced engineering services capabilities and deliver a complete power solution to our key customers. We are now one of few providers who can offer customers a complete spectrum of power and voltage capabilities and package several power converters into an overall solution customised to the customer's specific application. This makes us an attractive partner to our key customers and is a key driver of our market share gains.

Our strategy is summarised as follows:

- Product development: Continually develop our market leading range of competitive products, both organically and through selective acquisitions;
- Customer development: Target customer accounts where we can add value and increase our penetration of those target customers;
- Supply chain development: Continually improve our global, end-to-end, supply chain, balancing high efficiency with market-leading customer responsiveness; and
- Sustainability: Lead our industry on environmental responsibility.

We made progress with our strategic priorities during the year and remain well-positioned to benefit as demand improves. Our progress in the year is summarised below.

Product development

Product development is a key source of our competitive advantage. The XP brand is synonymous with high quality, high functioning and reliable power solutions. It is important that we continually invest to ensure we are offering a broad, up-to-date range of power supplies that meet our customers' demanding performance requirements. We work closely with them to ensure our power supply is "designed in" at an early stage of their own product development cycle, with high re-engineering and re-certification costs providing a natural barrier to competition thereafter. The "designed in" nature of the sale results in an annuity revenue stream throughout our customer's product life cycle, which is typically five to seven years but can be much longer.

Our product development capabilities include Engineering Services teams, most notably in North America and Asia. Located close to the customer, these teams enable the rapid deployment of customised power solutions for individual customers to speed up their own product development process. This a high margin, high growth proposition.

A key aspect of our product strategy over recent years has been to expand into higher power and higher voltage supply categories through selective bolt-on acquisitions, to complement our heritage in lower power areas. The most recent example is the acquisition of FuG, which performed well during 2023.

Our progress in the year can be summarised as follows:

- We launched 11 new products. These included a programmable 3kW power supply series which brings high power with digital control to demanding medical and industrial applications.
- Our Engineering Services group delivered 39 new customised products to customers. Our Engineering Services team in the USA was relocated to a larger, state of the art facility to support future growth.
- Sales of high voltage, high power and RF products grew by 19%, faster than the Group average.
- FuG and Guth delivered record revenue, 6.4% higher than 2022 after adjusting for our period of ownership.
- The pipeline for new products is strong and we expect to bring new platform products to market across our portfolio in the next 12–18 months.

Whilst reductions were made during the year in certain overhead functions, as discussed in detail in the Chief Financial Officer's Review, we were careful to maintain our investment in product development to support future growth.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Customer development

We work with leading OEMs in each of the three market sectors we serve. Relationships are deep and enduring and our customers recognise us for our superior quality, reliability, responsiveness and flexibility. Our sales teams are tasked with identifying new customers who would benefit from our unique business model and maximising our share of each customers' product power needs.

Our progress on customer development in the year can be summarised as follows:

- The value of new projects won grew by 7% year-on-year to a record level, which will translate into growth over the medium term as these products enter production.
- Sampling, a key stage in the new design win process, remains strong for the third year in a row following a dip during the pandemic. Customers resumed new product development work after a period in which their engineering efforts were focused on redesigning existing products to combat component shortages.
- We invested in digital marketing by re-platforming our website and improving our presence in online search.
- As referred to above, we signed a new European distribution agreement.

Supply chain development

After two challenging years, our supply chain performance improved considerably in 2023, in terms of service, resilience and efficiency.

Our order book reduced by £116.4 million in the year to £192.0 million. While our order backlog reduced considerably during 2023 it remains above pre-COVID levels. We expect our order book to return to historic norms by the end of the first half of 2024.

Delivery lead times reduced considerably during the year, improving customer service. Shorter manufacturing lead times reduced the need for air freight, reducing costs and minimising environmental impact.

We added resilience to our supply chain by increasing production flexibility. 71% of the products we manufacture in Asia can now be made in either our China or Vietnam factories. We now have multiple sourcing options for more of our critical components and more of our components can be sourced on a returnable basis should demand change unexpectedly.

We improved efficiency in terms of capital intensity. It was pleasing to see inventory reduce by £22.8 million to £91.6 million in the year, with progress weighted towards the fourth quarter. We also saw a reduction in both raw materials and work in progress, as expected. Reductions in finished goods should follow as the benefits flow through our supply chain, subject of course to demand. The progress we have made in this area was aided by recent investments in our Enterprise Resource Planning system, which provides end-to-end visibility of demand to enable us to plan our supply requirements more efficiently. We have also renegotiated better supplier terms where appropriate, in terms of both pricing and payment, preserving cash.

Slower demand allowed us to defer construction of our new facility in Malaysia by one year, preserving cash, with commissioning now expected by the end of 2025. We expect our existing manufacturing sites to have sufficient capacity to meet demand in the meantime.

Higher raw material prices gradually worked their way into our finished goods inventory, increasing our cost of goods sold. We successfully passed this inflation through, protecting margins, with roughly half of our revenue increase attributable to price. We have seen lower component prices in the last six months, which should support margins going forward.

We are monitoring events in the Red Sea closely. The impact on freight costs has been very modest so far, given that this route is less important to the Group than deliveries across the Pacific. We have sufficient finished goods inventory to accommodate longer transit times if deliveries route via southern Africa and a proven ability to re-price quickly should freight costs increase sustainably.

Sustainability

Sustainability is a key part of our strategy and has been since 2009, when the Group first formed its Sustainability Council. We realised early how important this would be over time to our customers, investors and people.

We set out and publish our priorities in our annual Sustainability Report. We delivered as follows against these priorities in 2023:

- We published our Net Zero Transition Plan.
- Our emission reduction targets were recently approved by the Science Based Targets Initiative (SBTi).
- We significantly reduced our Scope 2 Greenhouse Gas emissions in the year by acquiring rights to locally sourced renewable electricity.
- We introduced 10 XP Green Power product families in 2023. XP Green Power products generated revenues of £67.1 million in 2023, 13% higher than last year. The estimated lifetime savings from the XP Green Power products shipped in 2023 is 140,300 tonnes of CO_2.

Our progress has not gone unrecognised. In 2022 we were delighted to receive the first ESG award from Lam Research, a leading global supplier of semiconductor manufacturing equipment and one of our largest customers, recognising us for our commitment to strong ESG goals and proactively aligning with Lam on these priorities. This follows the PRISM award we received from ASM in 2021 for sustainability.

We continue to support our employees through training and development, promoting a fair working environment with equal opportunities, and see mental health as a priority. Through workforce engagement, views are heard at Board level.

Litigation update

As previously reported, in March 2022, an award for damages was made against XP for a total of $40 million in respect of a US legal action brought by Comet Technologies USA Inc., Comet AG, and YXLON International (Comet).

Our appeal against the original ruling, which we believe to be well founded, was filed with the Appellate Court in August 2023 and we have been responding in line with the Appellate Court's timeline. We expect the appeal to be heard during 2024.

Judgement has yet to be received in respect of Comet's claim for legal fees and interest associated with the case. It is expected soon.

We incurred legal fees of £2.1 million in 2023 and these are reported as an Adjusting item per Note 2 to the consolidated financial statements.

While we believe we have provided for the worst-case situation, with the pending judgements and future appeals there remain a broad range of potential outcomes. Further updates will be provided as and when the current position changes.

Outlook

We expect activity levels to reduce in 2024 after our record revenue performance in 2023 and have recently taken further actions to lower our cost base accordingly. The reduction in revenue is largely attributable to a normalising order book, with backlogs now largely cleared, the tail end of the semiconductor downcycle and destocking by Healthcare and Industrial Technology customers as they respond to greater resilience in the global supply chain.

We expect trading to improve as 2024 progresses, creating a second half weighting to performance as channel stock levels reach equilibrium and demand returns to the Semiconductor Manufacturing Equipment market, though it is difficult to be precise about the timing of the improvement. We will continue to take decisive action to manage our costs and maximise cash generation during this slower trading period, prioritising debt reduction, whilst preserving our sources of long-term competitive advantage. We are confident that our market positions remain strong and that the Group remains well positioned to prosper as our key markets resume their trajectory of healthy long-term growth.

Strategic Report

The Strategic Report, comprising the information on pages 12–89, was approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

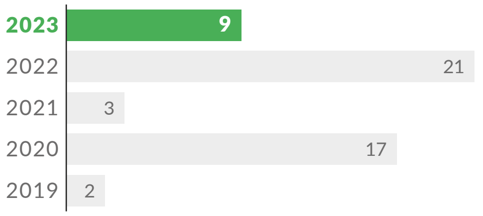
4 March 2024

OUR KEY PERFORMANCE INDICATORS

We monitor progress against the delivery of our strategic goals using both financial and non-financial key performance indicators (KPIs).

Financial KPIs

Revenue growth (%)



Definition

We target revenue growth of 10% p.a., measured at actual exchange rates. Our achievement can depend on market cyclicality and exchange rates.

Target achieved

No

2023 Progress

- Revenue growth was 9% with Europe and North America delivering growth ahead of and close to the 10% target, but a decline in Asia.

2024 Plans

- Utilise our broad product offering through all sales regions.
- Provide increasing customer support through our engineering solutions group.

Link to strategy

- Target accounts where we can add value.

Link to core values

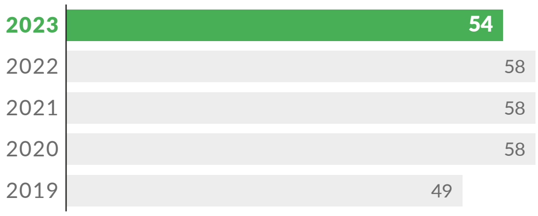
Link to risks

1, 2, 3, 4, 9

Link to remuneration

Revenue growth drives the annual growth of our adjusted profit before tax, which is a Group bonus plan target.

Revenue from top 30 customers (%)



Definition

We expect revenue from our top 30 customers to increase as we pursue our strategy.

Target achieved

No

2023 Progress

- This metric decreased to 54% in 2023 (PY: 58%) due primarily to a decline on some Semiconductor Manufacturing Equipment accounts.

2024 Plans

- Refocus efforts on key accounts to grow share of our large customers.

Link to strategy

- Vertical penetration of focus accounts.

Link to core values

Link to risks

1, 3, 4

Link to remuneration

Placing emphasis on revenue from our top 30 customers aligns with our strategy and drives long-term earnings growth. Long-term earnings growth is a performance condition in the Company's Long-Term Incentive Plan (LTIP).

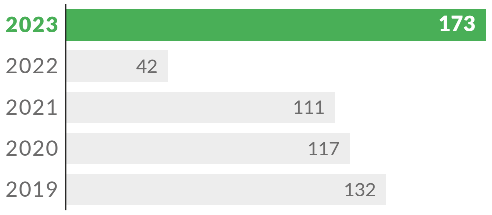
Core values key:

Knowledge
Flexibility
Customer Focus
Integrity
Speed

Risks key:

01	Disruption to manufacturing
02	Supply chain risks
03	Market/customer-related risks
04	Product-related risks
05	IT/data
06	Funding/treasury
07	Legal and regulatory
08	M&A
09	People-related risks
10	Climate-related risks

Adjusted operating cash conversion (%)



Definition

We target adjusted operating cash conversion of 100% or more.

Target achieved

Yes

2023 Progress

- Good cash conversion performance due to reduced working capital.
- Working capital reduction largely drive by more efficient inventory holding.

2024 Plans

- Seek opportunities to reduce working capital by reducing lead times and improved inventory management.

Link to strategy

- Build a global supply chain that balances high efficiency with market-leading customer responsiveness.

Link to core values

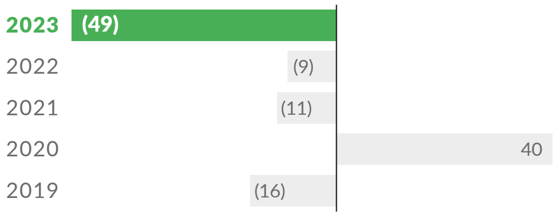
Link to risks

1, 2, 3, 4, 5

Link to remuneration

Operating cash conversion is a metric in our Group bonus plan.

Adjusted diluted earnings per share (EPS) growth (%)



Definition

We aim to grow this metric by a double-digit percentage each year.

Target achieved

No

2023 Progress

- Revenue grew and gross margin percentage was maintained but additional operating expense and increased net finance costs meant a reduction in diluted EPS.

2024 Plans

- EPS growth will be dependent on revenue and cost management in 2024.

Link to strategy

- Target accounts where we can add value.
- Vertical penetration of focus accounts.

Link to core values

Link to risks

1, 2, 3, 4, 5, 6, 7, 9

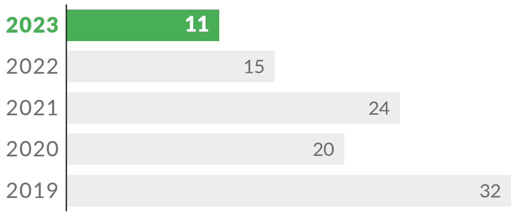
Link to remuneration

Growth in Adjusted EPS is a performance condition in our LTIP.

OUR KEY PERFORMANCE INDICATORS CONTINUED

Non-financial KPIs

New product families released



Definition

In assessing new product opportunities, we consider the potential revenue from a new product family as well as the absolute number of new product introductions. We target 30 new releases p.a..

Target achieved

No

2023 Progress

- We released 11 new product families in 2023 (2022: 15), ten of which can be classified as XP Green Power products.

2024 Plans

- We are focusing our design engineering on producing product platforms that can more easily be shared and reused over numerous applications and sectors.

Link to strategy

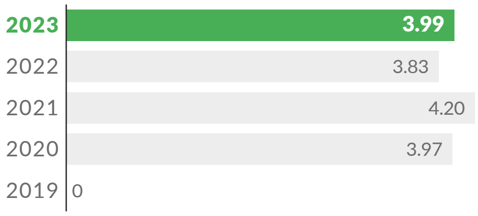
- Develop a broad range of competitive products.

Link to core values

Link to risks

3, 4

Employee engagement score



Definition

We target to improve this score and be at least above the benchmark for similar sized international companies.

Target achieved

Yes

2023 Progress

- We continue to undertake an annual employee engagement survey provided by Gallup to identify areas where our people tell us we can improve to deliver the ultimate employee experience.

2024 Plans

- Use the results of the Gallup survey to enhance employee morale, increase productivity and improve communication.

Link to strategy

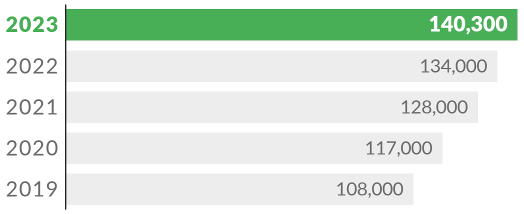
- Supports all aspects of our strategy.

Link to core values

Link to risks

5, 7, 9

Lifetime CO_2 emission savings from green products (tonnes)



Definition

We have set a target to increase the lifetime CO_2 emissions savings from XP Green Power products by at least 5% p.a.

Target achieved

No

2023 Progress

- Lifetime emission savings in 2023 were 4.7%, marginally below the 5% target.

2024 Plans

- Continue to release products with class-leading efficiency.
- Continue to promote environmental awareness and adopt environmentally friendly practices.

Link to strategy

- Leading our industry regarding sustainability matters.

Link to core values

Link to risks

10

Core values key

- Knowledge
- Flexibility
- Customer Focus
- Integrity
- Speed

Risks key

01	Disruption to manufacturing
02	Supply chain risks
03	Market/customer-related risks
04	Product-related risks
05	IT/data
06	Funding/treasury
07	Legal and regulatory
08	M&A
09	People-related risks
10	Climate-related risks

CHIEF FINANCIAL OFFICER'S REVIEW

> Elevated leverage and a market slowdown in the second half necessitated a comprehensive funding plan – management actions on costs and cash, amendments to the Group's borrowing facility and a share placing – all successfully implemented.
>
> **MATT WEBB**
> CHIEF FINANCIAL OFFICER

Statutory results

The statutory operating profit was £24.5 million, compared with a loss of £24.1 million in the prior year, with the 2022 loss primarily driven by the damages and legal costs from the Comet case.

Net finance expense was £13.3 million (2022: £6.1 million), resulting in a profit before tax of £11.2 million (2022: loss of £30.2 million). The higher net finance expense reflects the higher average debt and increased interest rates. This resulted in an income tax charge of £20.2 million compared to a £10.6 million credit in 2022. The basic loss per share was 45.4 pence whereas in 2022 the Group had a loss per share of 102.0 pence.

Adjusted results

As in prior years, Adjusted and other alternative performance measures are used in this announcement to describe the Group's results. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

Adjustments are items included within our statutory results that are deemed by the Board to be unusual by virtue of their size or incidence. Our Adjusted measures are calculated by removing such Adjustments from our statutory results. The Board believes Adjusted measures help the reader to understand XP Power's underlying results and are used by the Board and management team to interpret Group performance. Note 2 to the consolidated financial statements includes reconciliations of statutory metrics to their Adjusted equivalent and provides a breakdown of the Adjustments made.

Revenue

Revenue grew by 9.0% to £316.4 million (2022: £290.4 million).

Growth consisted of constant currency growth of 9.3% and an adverse currency movement of 0.3%.

The year started strongly, with constant currency growth of 24% in the first half thanks to an improved supply chain performance which allowed us to reduce our order backlog and restock the sales channel. It moderated as the year progressed, with second half revenue 2% lower than prior year in constant currency, as we reached robust comparatives and as sales into the Semiconductor Manufacturing Equipment market inevitably cooled after two years of strong demand. Sales into Industrial Technology and Healthcare sectors grew throughout the year.

The Group's revenue by region and by sector for 2023 is set out in the table below:

	2023 £ million	% change in constant currency
North America		
Semiconductor Manufacturing Equipment	**86.0**	(8.2%)
Industrial Technology	**54.0**	20.8%
Healthcare	**44.5**	56.6%
Total	**184.5**	10.7%
Europe		
Semiconductor Manufacturing Equipment	**3.4**	25.9%
Industrial Technology	**67.6**	10.3%
Healthcare	**26.8**	19.1%
Total	**97.8**	13.1%
Asia		
Semiconductor Manufacturing Equipment	**12.8**	(23.7%)
Industrial Technology	**14.7**	7.0%
Healthcare	**6.6**	12.2%
Total	**34.1**	(6.2%)

North America and Asia were both impacted by the slowdown in Semiconductor Manufacturing Equipment demand. The impact in Asia was greater as a key customer experienced manufacturing delays whilst it adapted to industrywide export controls. The impact in North America was largely confined to low voltage categories, with sales of high voltage and RF products continuing to grow, which is encouraging given their strategic importance.

North America was able to more than offset the impact of the semiconductor downcycle with very strong growth in Industrial Technology and Healthcare sales, to deliver double-digit revenue growth overall. This included some deliveries brought forward into 2023 from January 2024 to maintain continuity of service whilst we relocated our California facility at the end of its lease.

Europe delivered strong growth in each market sector, particularly in the Industrial Technology sector aided by healthy sales into our distributors as they restocked their networks.

Order intake

Order intake was £208.8 million, 43% lower than last year in constant currency. Book-to-bill in 2023 was 0.66x.

Order intake by quarter 2023

£ million	Q1	Q2	Q3	Q4	Full Year
Order intake	61.2	54.4	44.2	49.0	208.8

Order intake within the Semiconductor Manufacturing Equipment sector was relatively slow throughout the year and was the largest contributor to the Group's overall year-on-year reduction. Order intake within this sector increased in the fourth quarter due to large orders for high voltage power products on longer lead times, for which demand remains strong.

→ READ MORE ABOUT OUR CONSOLIDATED INCOME STATEMENT ON PAGE 157

→ READ MORE ABOUT OUR SEGMENTAL REPORTING ON PAGES 174–178

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Order intake within the Healthcare and Industrial Technology sectors started 2023 strongly but moderated later in the year. We initially attributed this moderation to shorter delivery lead times, which were allowing customers to raise orders later, slowing their rate of order placement. We expected order intake to improve in early 2024 as delivery lead times reached a minimum. This has not been seen to date because customers are also placing fewer orders to reduce their overall inventory of our products, which will hold back our activity levels temporarily in 2024 whilst the extra inventory is utilised.

Order book

Our order book reduced by £116.4 million in the year to £192.0 million at 31 December 2023 as backlog was shipped and delivery lead times reduced.

Gross margin

Gross margin was maintained at 41.5% (2022: 41.5%). In 2023, we sold finished goods that were sourced and manufactured when global supply chain disruption pushed input prices to a peak. Products were appropriately re-priced in response, protecting our margins from inflation. We have seen reductions in input costs over recent months, which should support margins going forward.

Freight costs halved as sea container prices returned to historic norms and shorter manufacturing lead times reduced the need for air freight.

Production output increased. In our Asian plants, this resulted in improved cost efficiency. In our smaller facilities in the United States, the need for greatly increased output introduced some inefficiency which we are addressing by transferring some production to Asia where manufacturing capacity is greater and costs are lower.

Operating expenses

Statutory operating expenses reduced by £37.9 million to £106.8 million due largely to lower costs in respect of the Comet legal case, which have been treated as an Adjustment.

Adjusted operating expenses increased by £15.5 million to £93.2 million.

The increase comprised the following main items:

- c.£2.0 million of cost inflation
- £3.1 million of increased variable pay, including share-based payment accounting charges
- £3.0 million of adverse currency movements
- £6.1 million of increased product development costs, which are discussed in more detail below

The cost base was restructured in the second half following a slowdown in demand, as part of the wider funding plan described below. Whilst 2024 will bring inflationary increases and an extra depreciation on-cost associated with the relocation of two leased premises in the US, we still expect our restructuring plans to drive a material reduction in overheads year-on-year.

Operating profit

Statutory operating profit increased by £48.6 million to £24.5 million due largely to items considered to be Adjustments, as set out later in this Review.

Adjusted operating profit reduced by £4.8 million to £38.1 million and is bridged as follows:

Adjusted £ million	2022	Currency impact	Constant currency	2023
Revenue	290.4	(1.1)	27.1	**316.4**
Revenue growth %		(0.3)%	9.3%	**9.0%**
Cost of sales	(169.8)	0.6	(15.9)	**(185.1)**
Gross margin	120.6	(0.5)	11.2	**131.3**
Gross margin %	41.5%	–	–	**41.5%**
Operating expenses	(77.7)	(3.0)	(12.5)	**(93.2)**
Operating profit	42.9	(3.5)	(1.3)	**38.1**
Operating margin %	14.8%	(1.2)%	(1.6)%	**12.0%**

The impact of currency movements on profit is largely translational rather than transactional and reflects unusually large movements in the value of Sterling versus the US dollar over the last two years. Steps were taken in late 2023 to reduce this impact going forward.

Whilst the impact of the FuG and Guth businesses acquired in 2022 has not been separately reported as they were owned for almost all of 2022, it is worth noting that on a comparative basis they grew at a healthy rate, with some of the proceeds from this growth reinvested in the cost base to sustain progress into 2024. Both businesses have leading product portfolios and a well-earned reputation for expertise and quality. We are confident we can sustain their progress as they increasingly leverage the wider Group's resources.

Profit declined modestly in constant currency. A slowdown in activity levels in the second half meant that growth did not fully support overhead investments previously made, leading to the restructuring actions referenced above. The result was also impacted by the product development cost increase described below. We will continue to keep our overhead base under close review, to ensure it is both affordable in the short-term and sufficient to drive our long-term progress.

Product development costs

Product development is central to the Group's long-term strategy. The Chief Executive Officer's Review sets out the progress made in the year.

Our accounting policy is to capitalise product development costs where they meet criteria prescribed by International Financial Reporting Standards, then start to amortise the capitalised costs when development activity is complete.

The following table summarises the accounting entries for product development costs recorded in the year:

Adjusted costs £ million	2023	2022	Change vs 2022
Gross product development costs	**27.3**	24.3	3.0
Of which: capitalised in the year[1]	**(7.8)**	(7.3)	(0.5)
Amortisation of capitalised costs	**5.0**	3.3	1.7
Impairment of capitalised costs	**1.9**	–	1.9
Net product development costs charged to Adjusted operating profit	**26.4**	20.3	6.1

[1] Excluding capitalised interest costs

The Group's development activities divide into two areas: i) traditional development of new products for the mass market and ii) Engineering Services work, where customised products are developed for a specific customer.

Our gross spending on product development activities increased by £3.0 million to £27.3 million in the year.

Our rate of capitalisation was broadly unchanged in the year at £7.8 million. We take a conservative approach to capitalising, only doing so when we are certain exploratory work has transitioned to become a technically and commercially viable development project.

Following a review, a non-cash charge of £1.9 million was recorded to impair previously capitalised development costs. This relates to certain Engineering Services projects where the value deemed to be recoverable from future sales to the customer does not support the carrying amount. This impacts a small number of projects in an otherwise commercially successful area.

The same review recommended a change to the way in which we judge when amortisation should start. Some Engineering Services projects follow an iterative development process, in which the customer requests rolling design changes to launched products, making it harder to judge when development has ended, commercial sales have started, and therefore when amortisation should commence – our new approach makes this clearer. The year-on-year increase in amortisation is £1.7 million and we expect this increased run-rate for amortisation to continue in future years.

Neither the impairment nor the increase in amortisation has any impact on cash, EBITDA or leverage calculations.

Adjusted net finance expense

Adjusted net finance expense increased to £11.5 million (2022: £4.9 million) as a result of higher levels of average debt and a rising Fed Funds rate.

Cash on deposit across the Group reduced materially in the year to minimise borrowing costs.

To manage interest rate risk, we recently capped the interest rate applicable to the majority of our borrowings at a rate slightly above current SOFR.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Tax and earnings per share

The effective tax rate applicable to Adjusted profit before tax was 37%, higher than prior year.

The rate increase included a one-off element and was caused by challenges in obtaining full benefit from available tax losses and credits in our US business, which resulted in a write down to deferred tax assets. We aim to make changes to our tax structure to improve this situation and therefore the future tax rate.

Adjusted basic and Adjusted diluted earnings per share decreased by 49% to 81.9 pence and 49% to 81.8 pence respectively (2022: 160.6 pence and 160.1 pence).

Adjustments

In 2023, the Group incurred costs of £15.4 million (2022: costs of £68.2 million) which we consider to be Adjustments and have therefore excluded them when calculating Adjusted profit before tax. These are summarised below:

Restructuring costs of £2.7 million include severance payments of £1.8 million, product development write-offs of £0.4 million and a provision of £0.5 million for IT licences that will no longer be used as a result of our restructuring.

	2023			2022		
Income / (cost) impact by Income Statement line £ million	Operating profit	Net finance expense	Profit before tax	Operating profit	Net finance expense	Profit before tax
Restructuring costs	(2.7)	–	(2.7)	–	–	–
Site double running costs	(2.6)	(2.4)	(5.0)	–	–	–
Supply chain transformation	(2.7)	–	(2.7)	–	–	–
Comet legal case	(2.1)	–	(2.1)	(59.7)	–	(59.7)
Amortisation of acquired intangibles	(3.2)	–	(3.2)	(4.1)	–	(4.1)
ERP implementation	(0.3)	–	(0.3)	(3.8)	–	(3.8)
Acquisition costs	(0.1)	–	(0.1)	(2.4)	–	(2.4)
Other	0.1	0.6	0.7	3.0	(1.2)	1.8
Total	**(13.6)**	**(1.8)**	**(15.4)**	(67.0)	(1.2)	(68.2)

Site double running costs totalling £5.0 million arose from the relocation of two leased facilities in California. The lease cost of the new facilities, which under IFRS are accounted for as depreciation and interest, were treated as Adjustments from the start of the lease to the date of initial occupation. The interest element of the lease cost was £2.4 million with the depreciation and other double running costs totalling £2.6 million. Both facilities are now occupied.

In the Notes to the consolidated financial statements, restructuring costs and site double running costs have been aggregated as a total of £7.7 million, with £5.3 million impacting Operating Profit and an additional £2.4 million impacting Net finance expenses.

Supply chain transformation costs of £2.7 million relate to initial design work for our planned factory in Malaysia and temporary engineering resources employed to transfer manufacturing from the West to Asia.

The Chief Executive Officer's Review provides an update on the Comet legal proceedings. The cost of £2.1 million in 2023 largely relates to legal fees incurred in filing our appeal in the case. This is significantly lower than the £59.7 million charged in 2022, which comprised £52.2 million of costs directly relating to the dispute and an associated intangible asset impairment of £7.5 million.

Adjusting items also includes a tax charge of £10.4 million. This includes a £3.2 million tax credit in respect of the costs above plus a £13.6 million charge relating to the Comet legal case. The latter entry reverses a tax credit of £13.6 million booked in the prior year. In 2022, we assumed we would be able to deduct the Comet legal settlement cost from taxable profit in the US. We now recognise this will be challenging for the reasons set out in the previous section.

Other items include a £0.1 million charge relating to fair value gain on derivative financial instruments (2022: £0.1 million charge) impacting operating profit. In addition, there is a £0.6 million gain (2022: £1.0 million loss) relating to modification of Revolving Credit Facility impacting net finance expense. In 2022, there was also a £3.2 million foreign exchange gain on the Euro-denominated loan relating to the FuG and Guth acquisitions.

We challenge ourselves to keep the list of Adjustments to an appropriate minimum. It is very important that we continue to do such that the gap between Adjusted and Reported results is as narrow as possible going forward.

Free Cash Flow

Reported £ million	2023	2022
Operating profit/(loss)	24.5	(24.1)
Depreciation, amortisation and impairment	22.6	25.4
EBITDA	**47.1**	1.3
Change in working capital	14.0	(33.5)
Provision for Comet legal case	–	46.9
Other items	1.3	(12.6)
Operating cash flow	**62.4**	2.1
Net capital expenditure – Product development costs	(9.5)	(8.0)
Net capital expenditure – Other assets	(30.5)	(11.4)
Purchase of bond receivable for Comet legal case	–	(36.9)
Net interest paid	(11.9)	(5.5)
Tax paid	(4.9)	(4.1)
Other items	(2.3)	(5.8)
Free cash flow	**3.3**	(69.6)

Cash generated from operations increased significantly in the year, particularly in the second half. This arose almost exclusively from working capital. Working capital reduced by £1.2 million in the first half and £12.8 million in the second half, reflecting efforts to reduce raw material inventory and work in progress. Stock levels reduced by £22.8 million in the year to £91.6 million, with the closing balance representing 181 inventory days. Further optimisation is expected.

The additional operating cash flow was absorbed by increased capital expenditure and debt interest payments.

Capital expenditure on property, plant, equipment and software totalled £30.5 million (2022: £11.4 million). This included investment in two new sites in California and construction of a new factory in Malaysia. The leases for the previous sites in California expired and we were not able to extend them, necessitating relocating to new leased premises, with associated refurbishment and fit out. The total capex cost of these new sites is expected to be £24.2 million, with £16.6 million spent in 2023 and the balance due in 2024. The Malaysia site remains an important long-term investment to provide flexible low-cost manufacturing capacity. Construction of the facility was suspended in late 2023. Total spend in 2023 was £6.0 million, with a residual amount of £3.0 million to be paid in early 2024 for contracted work up until the point of suspension. Minimal capex spend is expected on the project thereafter until early 2025. Residual payments from 2023's major projects are expected to result in capital expenditure of approximately £25 million in 2024, including capitalised product development costs.

Funding plan

The Group started 2023 with relatively high borrowing, with net debt equalling 2.7x Adjusted EBITDA. The market slowdown in the second half, combined with spending on major projects above, made it challenging for the Group to de-lever. We responded in late 2023 by implementing a comprehensive funding plan. This consisted of three elements: management actions, amendments to the Group's borrowing facility and a share placing.

Management actions

Management actions consisted of:

- Headcount reductions and restrictions on discretionary spend, with an expected full year benefit to EBITDA of £8–10 million.
- Expected inventory reduction of £10–20 million by the end of 2025
- Standardisation of supplier payment terms
- Capex reduction to discretionary levels
- Dividend suspension

Cost reduction actions have now been taken and the benefit is tracking in the middle of the expected range. Further actions being taken at the time of this report are expected to lower the cost base by a further c.£3 million annually.

The reduction in inventory is ahead of schedule, as explained above.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Standardisation of supplier payment terms is underway. We have identified c.50 suppliers, with whom we spend c.$30m annually, whose terms need standardisation. Terms have been extended with suppliers representing 15% of this spend. We expect progress to accelerate in the first half of 2024.

Capex spend for 2024 has been reduced to maintenance levels beyond the residual spend on major projects as explained above.

Amendments to the Group's borrowing facility

In October 2023, we received unanimous support from our banking syndicate for the following amendments to the terms of our Revolving Credit Facility:

- Leverage ratio: Net debt to Adjusted EBITDA covenant limit increased to 3.5x until 31 December 2024, returning to 3.0x thereafter
- Interest cover: Adjusted EBITDA to Adjusted Net Finance Expense covenant floor reduced to 3.0x until 30 September 2025, returning to 4.0x thereafter.

Share placing

During the year the Group generated net proceeds of £44.0 million from issuing additional shares equal to 20% of the share capital of the Company. The shares were issued at a premium to the then prevailing market price and were over-subscribed.

Funding position at year-end

Following implementation of the funding plan, net debt at 31 December 2023 was £112.7 million (31 December 2022: £151.0 million). Our gross cash balance was £13.5 million (31 December 2022: £23.4 million).

Key financing ratios at 31 December 2023 were as follows:

- Leverage ratio: Net Debt to Adjusted EBITDA of 2.0x (2022: 2.7x)
- Interest cover: Adjusted EBITDA to Adjusted Net Finance Expense of 4.8x (2022: 16.8x),
- £73.1 million of undrawn headroom within the Group's committed bank facility. The facility matures in June 2026 with a one-year extension option (subject to lender consent).

Therefore, at 31 December 2023 the Group was comfortably in compliance with its banking covenants and had ample funding liquidity. At this date, it would have required:

- an increase in Net Debt of £81 million (or 72%) or a reduction in Adjusted EBITDA of £23 million (or 42%) to breach the leverage ratio
- a reduction in EBITDA of £21 million (38%) or an increase in Net Finance Costs of £7 million (61%) to breach the interest cover covenant.

The Director's assessment of going concern has involved consideration of the Group's forecast covenant position in both a base case and a severe but plausible downside case. The Group is forecast to remain in compliance with its covenants in both the base and downside cases, albeit with relatively modest additional headroom in the case of the latter. The Group has ample borrowing liquidity in either scenario. Further details can be found in Note 1 of the consolidated financial statements. The Viability Statement is set out in the 2023 Annual Report and Accounts.

Dividends and capital allocation

In late 2023, the Board took the difficult decision to suspend dividend payments as part of the funding plan described above. Therefore, no final dividend is proposed for the fourth quarter of 2023. Dividends previously declared for 2023 are 18.0 pence (2022: 94.0 pence).

Dividends remain an important part of the Group's long-term capital allocation strategy. However, the Board believes it is in the long-term interests of shareholders for debt reduction to be prioritised over shareholder distributions until net debt returns sustainably to our target range of 1–2x Adjusted EBITDA.

Our long-term aim is to operate in a range of 0–1x Adjusted EBITDA.

MATT WEBB
CHIEF FINANCIAL OFFICER

4 March 2024

MANAGING OUR RISKS

The Group has well-established risk management processes to identify and assess risks.

The Group's principal risks are regularly reviewed by the Board and mapped onto a risk universe, where risk mitigation or reduction can be tracked and managed. This facilitates further discussions regarding risk appetite and identifies the risks that require greater attention.

Our risk assessment

Identified key risks and the mitigating actions are summarised as follows, and are classified according to:

- The assessment of their impact level to the viability of the business if they occurred – ranging from minor to severe. The likelihood of a risk occurring – ranging from low to high.
- The direction they are trending in – risks are classified according to whether they are becoming more or less likely to occur, or whether the risk of occurrence remains unchanged.

Although risk identity attributes are judgemental and qualitative in nature, the Board regards the methodology as useful in determining the focus that should be given to each risk.

This is not an exhaustive list of risks identified and considered but does include all risks, which are assessed as having a severe or moderate impact to the business if they occurred.

Our risk management framework

Top down

Existing and emerging macroeconomic and business risks that could seriously affect performance, future growth or reputation are assessed by the Board to ensure the appropriate level of oversight, mitigation, and risk appetite across the Group.

The Board

A robust risk assessment has been carried out at Board level and actions set to mitigate and/or reduce the identified risk. The Board acknowledges its responsibility for the Group's internal controls and reviewing their effectiveness. We have an ongoing process for identifying, evaluating, and managing significant risks faced by the Group. These identified risks and processes are documented, reviewed, and updated at Board meetings.

Audit Committee and internal audit

The Audit Committee ensures that the Group is effectively managing risk and internal control procedures. This is achieved through:

- The Audit Committee reviewing the effectiveness of internal controls.
- An internal audit and risk assurance programme.

Operational level

A key control procedure is the day-to-day supervision of the business. This is supported by Group company managers. These include:

- Authority matrices to clearly define who can authorise transactions, transfer funds, commit Company resources and enter agreements.
- Monthly reporting of management accounts and key metrics to senior management, with performance measured to budget and material variances reported to the Board.
- Quality control checks throughout our manufacturing process, burn-in to eliminate early failures, in-circuit electrical testing, 100% functional testing, hipot testing of isolations barriers, and quality inspection.
- Business continuity and disaster recovery plans are in place for all key facilities, documented and communicated to key personnel to help cope with unexpected material events.

Bottom up

Day-to-day operational risks that influence daily decision making are identified, assessed, and mitigated across functional and geographic areas.

Risk appetite

The Board determines the amount and types of risk that the Company is willing to take to achieve its strategic and operational objectives, with a risk appetite rating applied to each risk.

A key focus for the Board is minimising the Group's financial, operational, human, legislative and reputational risks exposure.

The experience and learnings of the pandemic, and the impact of recent global supply chain disruption, are reflected in our risk reviews and will enhance our response to the next disruptive event.

In light of the unpredictable market conditions that gave rise to the need for our Funding Plan in late 2023, the Board is prioritising continued deleveraging of the Group's balance sheet until net debt to EBITDA is within the Group's policy range of 1–2x.

Emerging risks

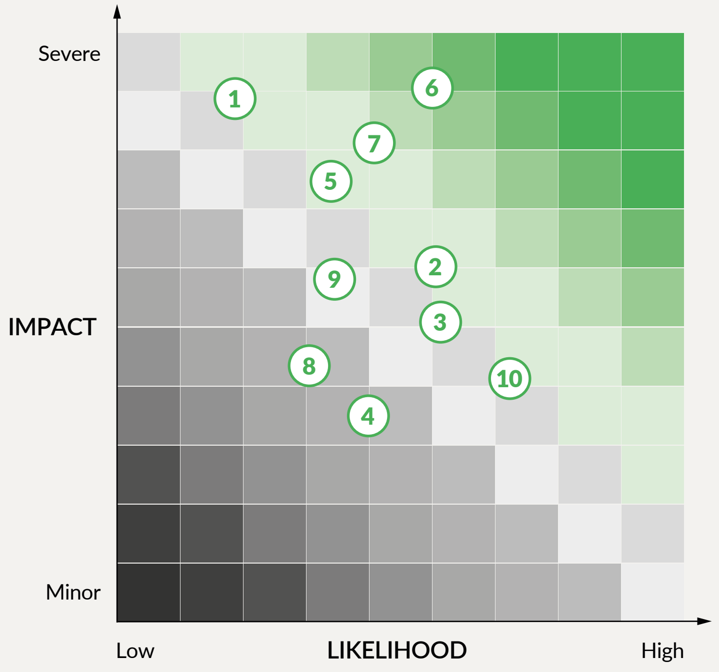
We continue to monitor and assess emerging risks throughout our risk processes.

The macroeconomic challenges causing inflationary pressure, foreign exchange volatility and rapid increases in interest rates, along with geopolitical events and pressures that impact cross-border trading, are closely monitored for potential financial and operational impact.

We also continue to enhance our supply chain resilience, with multi-site manufacturing in Asia, where most of our products can now be produced in either of our Chinese or Vietnamese facilities, to reduce dependency on single sources or regions. The Group's borrowings are expected to be greater than 1–2x Adjusted EBITDA in 2024. The Board will continue to monitor our leverage position, prioritising debt reduction until leverage returns to our near-term target range of 1–2x Adjusted EBITDA.

The impact of climate-related change and severe weather events are assessed through our Sustainability Committee, are an increased area of focus, and are included in our Sustainability Report.

Heat map of the identified risks indicating the likelihood and level of impact



① Disruption to manufacturing
② Supply chain risks
③ Market/customer-related risks
④ Product-related risks
⑤ IT/data
⑥ Funding/treasury
⑦ Legal & Regulatory
⑧ M&A
⑨ People-related risks
⑩ Climate-related risks

MANAGING OUR RISKS CONTINUED

RISK	EXPLANATION OF RISK	POTENTIAL IMPACT	MITIGATION	PRIORITIES FOR 2024	LINK TO STRATEGIC PILLAR	LINK TO KPI	ASSESSED TREND
1 Disruption to manufacturing	An event that results in the temporary or permanent loss of a manufacturing facility could result in the Group being unable to sell products to customers. This could include climate-related events, such as severe weather, or government-imposed restrictions or compulsory purchase orders.	As the Group manufactures 80% of revenues, this would cause a short-term loss of revenues and profits, and disruption to our customers, which would risk reputational damage.	• We have two facilities (China and Vietnam) where we can produce most of our power converters. • We have disaster recovery plans in place for both facilities. • We have undertaken a risk review with the manufacturing management to identify and assess risks that could cause a serious disruption to manufacturing, and identified and implemented actions to reduce or mitigate these risks where possible. • We own key facilities or have on long-term leases. • We have business interruption insurance in place.	• Plan for the recommencement of construction of a new manufacturing facility in Malaysia. • Continue transfer of products from China to Vietnam and from North America. • Maintain and review list of leased facilities with maturity dates. • Review business interruption insurance to ensure cover adapts to evolving risks.		A, B, C, D	○—○
2 Supply chain risks	The Group is dependent on retaining its key suppliers and ensuring that deliveries are on time and materials supplied are of an appropriate quality. As the Group makes significant use of its Asian manufacturing footprint to supply US and European markets, it is exposed to any risks relating to threats to global shipping.	We make most of the products we sell, but are reliant on third party suppliers for a minority of the products we well. While global supply chains progressively normalised in 2023, some key product components remain on relatively long lead times, increasing the risk of shortages at the point of manufacture. While alternative routes by sea or air freight can be used, these would come with a time or cost impact.	• Components are dual sourced wherever possible. • We conduct regular audits of our key suppliers. • Appropriate amounts of safety inventory of key components are held and these levels are regularly reviewed with reference to demand and lead times. • We monitor risks to our established transport routes, developing contingency plans and ensuring our customers are kept aware of issues and implications.	• We will continue to design new products with multiple sources of components where possible. • We will continue to diversify and localise our supply chains. • We will conduct a review of all approaches to inventory management to optimise inventory levels, whilst ensuring overall supply chain effectiveness. • We will develop outsourced resource for various subassemblies and finished goods as appropriate.		A, B, C, D	↓
3 Market/customer-related risks	The semiconductor market represents a significant percentage of Group revenue and is inherently cyclical. A material proportion of the Group's revenue is derived from its largest customers. Demand for our products may be impacted by gains or losses of business with them, or changes in their inventory levels of our products.	A significant downturn in the Semiconductor Manufacturing Equipment market could have a material adverse impact on the Group's revenue, profitability and financial condition. If the Group lost some of its key customers, this could have a material impact on its performance. However, for the year ended 31 December 2023, no single customer accounted for more than 18% of revenue, and that revenue was spread over a large number of individual programmes.	• Staying close to our key customers and understanding the end-market to provide visibility of likely market movements. • The Group mitigates this risk by providing excellent service. Customer complaints and non-conformances are reviewed monthly by members of the Executive Leadership team. • Whilst visibility of customer inventory levels is naturally limited, our sales teams discuss this with customers wherever possible and reflect it in our revenue projections.	• Robust forecasting process at appropriate level of market/customer detail to ensure best possible view on future orders and revenue. • Operate with conservative borrowing levels to accommodate potential demand cyclicality. • Given that a key tenant of the Group's strategy is to vertically penetrate its key customers, customer concentration is likely to increase. However, the Board believes that, as each customer revenue stream is made up of many individual programmes and these are designed in, the loss of an entire customer is unlikely. We will continue to ensure we provide excellent service to our customers at competitive price points.		A, B, C, D, E	↑

Strategic key:

- Develop a market-leading range of competitive products
- Target accounts where we can add value
- Vertical penetration of focus accounts
- Build a global supply chain that balances high efficiency with market-leading customer responsiveness
- Lead our industry on environmental matters
- Make selective acquisitions of complementary businesses to expand our offering

Links to KPIs:

Ⓐ Revenue growth
Ⓑ Revenue from top 30 customers
Ⓒ Adjusted operating cash conversion
Ⓓ Adjusted diluted earnings per share growth
Ⓔ New product families released
Ⓕ Employee engagement score
Ⓖ Lifetime CO₂ emission savings from products

Trend key:

○—○ No change to risk
↑ Increase to risk
↓ Decrease to risk

MANAGING OUR RISKS CONTINUED

RISK		EXPLANATION OF RISK	POTENTIAL IMPACT	MITIGATION	PRIORITIES FOR 2024	LINK TO STRATEGIC PILLAR	LINK TO KPI	ASSESSED TREND
4	**Product-related risks**	A product recall due to a quality or safety issue. Failure to develop new products or to not respond to new disruptive products/ technologies.	A major product recall could have serious repercussions to the business in terms of potential cost and reputational damage as a supplier to critical systems. Third-party introduced new products or technologies could adversely impact the Group's revenue.	• We perform 100% functional testing on all own manufactured products and 100% hipot testing, which determines the adequacy of electrical insulation. This ensures the integrity of the isolation barrier between the mains supply and the end user of the equipment. We also test all medical products that we manufacture to ensure the leakage current is within the medical specifications. • Where we have contracts with customers, we limit our contractual liability regarding recall costs. • We prioritise investment and work closely with our customers to ensure that our product offering remains market leading.	• Continue to enhance our product design processes. • Prioritise investment to ensure existing portfolio meets new industry standards as they are launched. • Expand supplier quality capabilities.		A, B, C, D	○—○
5	**IT/data**	The Group is reliant on information technology in multiple aspects of the business from communications to data storage. Assets accessible online are potentially vulnerable to theft and customer channels are vulnerable to disruption.	Any failure or downtime of these systems, or any data theft, could have a significant adverse impact on the Group's reputation or its ability to operate.	• The Group has a defined Business Impact Assessment, which identifies the key information assets, replication of data on different systems or in the Cloud, an established backup process in place, and a robust anti-malware solution on our networks. • Internally produced training materials are used to educate users regarding good IT security practice and to promote the Group's IT Policy. • All recommendations from an outsourced internal auditor assessment have been implemented to further mitigate cyber risk and safeguard the Group's assets.	• We will continue to enhance our cybersecurity tools and processes, and continue to promote heightened awareness to cybersecurity risks among our people. • Continued improvement in quality and Group-wide consistency of Mater Data. • Increased use of BI tools and speed of data delivery.		A, D, F	○—○
6	**Funding/treasury**	The Group is reliant on external bank funding and needs to comply with the related covenants. Changes in interest rates impact interest payments and charges. The majority of the Group's sales and material purchases are in US dollars, creating a natural transactional hedge. However, a minority of sales and costs are denominated in other currencies, exposing the Group to some transactional currency risks. The Group faces translation currency risk from reporting in sterling.	The Group could find itself in breach of banking covenants and lose access to its funding. The Group has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings and cash flows.	• Set a clear and conservative leverage policy and perform detailed and regular cash forecasting to ensure the leverage targets are met. • The Group reviews balance sheet and cash flow currency exposures and, where appropriate, uses forward exchange contracts to hedge these exposures. • The Group does not hedge any translation of its subsidiaries' results to sterling for reporting purposes.	• Regular and detailed review of forecast and actual results to ensure maximum visibility of profit, interest and net debt figures to ensure compliance with bank covenants, identifying any potential exposures and implementing actions to mitigate. • Continue to take action to improve the funding position as necessary through the review of costs and maximisation of cash generation. • The Group hedges interest rate risk on the majority of its borrowings.		A, C, D	↑

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Ⓖ Lifetime CO_2 emission savings from products

Trend key:

○—○ No change to risk
↑ Increase to risk
↓ Decrease to risk

MANAGING OUR RISKS CONTINUED

RISK	EXPLANATION OF RISK	POTENTIAL IMPACT	MITIGATION	PRIORITIES FOR 2024	LINK TO STRATEGIC PILLAR	LINK TO KPI	ASSESSED TREND
7 Legal & regulatory	The Group operates in multiple jurisdictions with applicable trade and tax regulations that vary. Intellectual property in terms of product design is an important feature of the power converter industry. The Group ships products internationally, both in terms of the internal supply chain, and from third-party suppliers and to end customers, and also transfers manufacturing from North America to Asia locations. Compliance with export laws is critical.	Failing to comply with local law and regulations could impact the profits and reputation of the Group and its ability to conduct business. The effective tax rate of the Group is affected by where its profits fall geographically. The Group's effective tax rate could, therefore, fluctuate over time and have an impact on earnings and potentially its share price. It could also fluctuate if an efficient Group tax structure is not maintained.	• The Group hires employees with relevant skills and uses external advisers to keep up to date with changes in regulations to remain compliant. • Export compliance software in place to monitor customers and sales. • An outsourced internal audit function provides risk assurance in targeted areas of the business and recommendations for improvement. The scope of these reviews includes behaviour, culture and ethics. • The Group establishes a clear Health and Safety Policy and procedures.	• Use of third-party experts to review current export compliance processes. • We will continue to ensure we stay current with the latest legislation and will ensure we have the necessary contemporaneous documentation for compliance purposes. • We will establish a health and safety structure and responsibility matrix to ensure that policies are adhered across the organisation. • We will continue to focus on wellbeing of employees.	🌱	A, D, E, F	○—○
8 M&A	The Group may elect to make strategic acquisitions. A degree of uncertainty exists in valuation, particularly in evaluating potential synergies.	Post-acquisition risks arise in the form of change of control and integration challenges. These can influence the Group's revenues, operations and financial performance.	• Preparation of robust business plans and cash projections with sensitivity analysis and the help of professional advisers as appropriate. • Post-acquisition reviews are performed to extract "lessons learned".	• Continue to deliver synergy's from recent acquisitions.	⧉	A, D	○—○
9 People-related	The future success of the Group is substantially dependent on the continuing services and contributions of its Directors, senior management and other key personnel.	The loss of key employees could have a material adverse effect on the Group's business.	• The Group undertakes performance evaluations and reviews to help it stay close to its key personnel. Where appropriate, the Group also makes use of financial retention tools such as share-based compensation.	• We will continue to focus on people management and leadership development. • A review of the organisation structure and the incentives plans will be performed to ensure they support the long-term strategy of the Group.	∿	A, D, F	○—○
10 Climate-related	The Group is exposed to climate-related risks that could have a negative impact on the business.	Severe weather affecting our own locations or the supply chain. Not meeting net zero targets resulting in reputational damage and reduced revenue.	• Ensure we maintain as flexible a manufacturing footprint as possible to allow us to respond to any single-site disruption. • We look to have dual sourced supplies for material purchases and conduct regular reviews of safety inventories to ensure we have sufficient stocks. • We put relevant policies and KPIs in place to ensure environmental targets are deliverable.	• We will continue to review and respond to areas of single point exposure in terms of manufacturing capability and material sourcing. • We will set up a working group to ensure the entire organisation is engaged to meet our Net Zero targets.	🌱	G	○—○

Strategic key:

- ∿ Develop a market-leading range of competitive products
- ✉ Target accounts where we can add value
- ⇅ Vertical penetration of focus accounts
- ⟲ Build a global supply chain that balances high efficiency with market-leading customer responsiveness
- 🌱 Lead our industry on environmental matters
- ⧉ Make selective acquisitions of complementary businesses to expand our offering

Links to KPIs:

- Ⓐ Revenue growth
- Ⓑ Revenue from top 30 customers
- Ⓒ Adjusted operating cash conversion
- Ⓓ Adjusted diluted earnings per share growth
- Ⓔ New product families released
- Ⓕ Employee engagement score
- Ⓖ Lifetime CO_2 emission savings from products

Trend key:

- ○—○ No change to risk
- ↑ Increase to risk
- ↓ Decrease to risk

VIABILITY STATEMENT

In accordance with provision 4.31 of the 2018 revision of the UK Corporate Governance Code, the Directors are required to assess the prospects of the Group over a period longer than the 12 months required by the "Going Concern" provision.

In making this assessment, the Directors considered the Group's current financial position, its recent and historic financial performance and forecasts, strategy (pages 22–23), and business model (pages 20–21), and the principal risks and uncertainties (pages 52–59).

The Directors have determined the three-year period to December 2026 to be an appropriate period over which to assess the Group's viability, as this timeframe is within the Group's strategic financial planning period used to evaluate performance and liquidity, and aligns with the design-in cycle that the Group has visibility of. The Directors also considered a three-year financial model using the latest available financial forecasts for the Group.

The Group has a business model where its products are designed into numerous applications, with numerous customers, in numerous geographies. The Group's products are all designed into capital equipment, which is generally in production for several consecutive years, resulting in a revenue annuity. This diversity and revenue annuity are both deemed important factors in mitigating many of the risks that could affect the Group's long-term viability.

In performing their review, the Board assessed the conservative scenarios against the controls in place to prevent or mitigate principal risks of the Group.

It also considered them against the Group's current banking facilities, which consists of a revolving credit facility of US$255 million, maturing in June 2026 with an option of a further year to June 2027 (subject to lender consent).

In forming the Viability Statement, the Directors carried out an assessment of the principal risks and uncertainties facing the Group that could impact the business. The Directors considered the impact that reduced market demand could have on the Group's funding position in the next 12 months. This work is set out within the going concern assessment described in Note 2 of the Financial Statements. In conclusion, the Group expects to maintain liquidity and in compliance with its banking covenants in either a base or severe but plausible downside scenarios, albeit with modest headroom in the case of the latter. The primary financial risks arise from a downturn in revenue, either due to general market weakness or the loss of a major customer, or operational disruption, due to temporary loss of a facility or significant supply chain disruption.

The financial model was stress-tested with various downside scenarios. The potential impact of the principal risks was then considered in the context of each of these downside scenarios. Certain subjective assumptions and judgments were made to achieve this. Each risk scenario occurring in isolation did not breach the Group's borrowing facility headroom or either of its financial covenants. The most severe threats occurring in isolation were found to be a prolonged closure of a manufacturing facility, or a significant delay in the expected market recovery, particularly the semiconductor market that is the Group's largest and most volatile market.

Not surprisingly, in the event that multiple risks were to crystallise at the same time, then breaches would occur, but when applying a "probability and impact" approach, no breaches are identified. In the event that results started to trend significantly below those in the forecast, additional mitigation actions have been identified that would be implemented, which are not factored into the current scenario analyses. These include a reduction of non-critical capital expenditure and a reduction of discretionary spend. Within the Viability Statement timeframe, the current bank facility would need to be renewed, but there is nothing currently to indicate that this would not be achieved.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for at least a period of three years to 31 December 2026.

SECTION 172(1) STATEMENT:

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Section 172(1) Engaging with our stakeholders is fundamental, so we focus on what matters

Section 172 requires a company's directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, consider:

a. the likely consequences of any decision in the long term;

b. the interests of the company's employees;

c. the need to foster the company's business relationships with suppliers, customers and others;

d. the impact of the company's operations on the community and the environment;

e. the desirability of the company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between members of the company.

In the key decision-making process, the Board and management ensure they take action in line with our strategic aims, best positioning XP for the long term. Careful consideration is given to likely impacted stakeholders.

The Board sets the Company cultures tone ensuring high business standards by setting the Code of Conduct framework that all employees and key suppliers sign up to. Our Code of Conduct covers stakeholder expectations on business ethics, responsible environmental behaviour, health and safety, and treatment of people.

Our people

Why we engage

Our workforce is our most valuable asset, and their health, safety and wellbeing are of paramount importance. Having engaged teams, who bring a diverse range of talents and perspectives, is important to our success, we want our colleagues to be committed to our vision.

How we engage

Communication is key, we produce periodic newsletters and hold regular town halls with senior management, who work to ensure messages are cascaded and discussed among their teams, including through regional employee updates. We track performance with all-employee surveys and our designated Non-Executive Director visited sites in Singapore and Vietnam gaining views from across different roles in the workforce.

The Audit Committee receives updates on any whistleblowing matters.

Key topics discussed

- Health and safety.
- Diversity, including women in engineering initiatives.
- Internal communications and annual Group-wide engagement survey results.
- Business performance.
- Relocation of West Coast sites.
- Onboarding Philippines team.

How we responded

- Established Health and Safety Council with regional champions to ensure a global approach.
- Cascaded engagement survey results, regional townhalls and employee newsletters. We know our colleagues are happy working at XP and would recommend it as a great place to work.
- Relocated two US sites putting in place growth infrastructure.
- Bringing on board the Philippines team to work as part of XP.

→ READ MORE ABOUT OUR ESG SOCIAL SECTION ON PAGES 73–79

→ READ MORE ABOUT OUR EMPLOYEE ENGAGEMENT METRICS ON PAGE 75

Customers and strategic partners

Why we engage

Consideration of customer requirements is a top priority during new product development.

We develop customer relationships ensuring their needs play a central role in shaping design and development processes, enabling our customers to deliver power products and solutions to enhance their businesses' sustainability, while delivering economic value to all parties in the value chain.

How we engage

We focus on two-way engagement, ensuring we have effective partnerships and listen to their technology roadmaps so we can partner effectively.

Our sales teams frequently engage with focus customers to understand our performance and their issues.

We use anonymous customer satisfaction surveys to further understand our performance.

Key topics discussed

- European distribution.
- Product development.
- Supply chain challenges.

How we responded

- Partnership with Avnet in EMEA to offer in-depth technical, supply chain and logistics support to customers.
- Relocation of sites in the US to provide growth and business continuity infrastructure.
- Eleven new products launched in 2023, with further new products scheduled for launch in 2024.

→ READ MORE ABOUT OUR ESG ENVIRONMENT SECTION ON PAGES 67–72

Suppliers

Why we engage

Our suppliers are critical to our supply chain, and we work in partnership to increase the strength and sustainability of the supplier base.

We are committed to maintaining high supplier standards to reduce operational risks and foster long-term trusted partnership success.

How we engage

We have ongoing contact with key suppliers to monitor performance and understand concerns.

We conduct supplier audits to ensure adherence to our standards.

We collaborate with crucial suppliers to mitigate supply shortages caused by global challenges.

Key topics discussed

- Maintaining high standards across our supplier base.
- Sustainability-related matters.
- Supply chain performance and component shortages.

How we responded

- Reviewed progress against, and updates to, our Modern Slavery Statement.
- Engaged with suppliers to begin monitoring the supply chain sustainability to understand their progress and challenges in improving sustainability.
- Monitored supply chain performance, component shortages and lead times.

→ READ MORE ABOUT OUR ESG ENVIRONMENT SECTION ON PAGES 67–72

Communities and our environment

Why we engage

We engage with the communities we operate in to build trust and understand their important local issues.

Our commitment to minimising our environmental impact has been a long-standing priority as we work towards our public near-term and long-term SBTi-registered targets.

How we engage

Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people, and help to look after the environment. The impact of environmental decisions, both locally and nationally, is considered.

Engagement with communities takes place through local offices, and the Board receives activity updates.

Key topics discussed

- Environmental impact and sustainability strategy.
- Understanding which local charities can be supported by our employees to have the biggest impact.

How we responded

- Published Net Zero Transition Plan, obtained approval for our SBTi commitments, and made significant Scope 2 emissions reductions.
- Fostering a culture that encourages our people to get involved in local communities, through fundraising activities and employee volunteering days.

→ READ MORE ABOUT OUR ESG ENVIRONMENT SECTION ON PAGES 67–72

Shareholders

Why we engage

Shareholder engagement, feedback, and support is key to achieving our ambitions.

We are committed to transparent engagement, ensuring our investors have a clear understanding of the Company and its performance, from strategic and financial, to environmental, social and governance.

How we engage

We engage with shareholders throughout the year and are transparent in all business areas.

Our CEO, CFO and IR team have regular sessions with current and prospective investors to ensure they understand our investment proposition, ESG performance and current performance. We have had significant engagement with investors relating to the Funding Plan.

Our Chair and Remuneration Committee Chair engage with shareholders on performance, governance and Executive remuneration to ensure we consider their views.

Key topics discussed

- Funding Plan and Dividend Policy.
- Capital expenditure.

How we responded

- Implemented a Funding Plan that covered the placing of ordinary shares, covenant amendments to our finance facilities and the following management actions to improve the Group's liquidity position:
  - A cost reduction programme.
  - Suspension of dividend payments.
  - Minimising capital expenditure, including deferring the construction of the Malaysian site.

→ READ MORE ABOUT OUR ESG GOVERNANCE SECTION ON PAGES 80–81

→ READ MORE ABOUT OUR KEY PERFORMANCE INDICATORS ON PAGES 40–43

→ READ MORE ABOUT OUR CORPORATE GOVERNANCE REPORT ON PAGES 98–109

OUR SUSTAINABILITY STRATEGY

1. SUSTAINABLE PRODUCTS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

How this strategic pillar links to the UN SDGs

This aligns with UN SDG 9 "Industry, innovation and infrastructure" in promoting sustainable industrialisation, and UN SDG 12 "Responsible consumption and production" in the efficient use of natural resources.

Our ambition is to be an industry leader on sustainability – this also includes our products. Our R&D investment is vital to the Group's strategy. As the first to introduce greener, safer converters, we believe that we have the broadest product portfolio in our industry. To have a sustainable business, we need to be more deliberate in developing low carbon products and solutions that solve our customers' power problems, within the balance of cost and efficiency.

This year, we have taken measures to embed sustainability considerations into our product strategy. The Group's product development process now includes goals to develop lower carbon products, both for encouraging the development of products with higher energy efficiency in use, but also products with lower embodied carbon, delivered through reduced material use. Design for sustainability is now in our sustainability scorecard tracked by the Sustainability Council. Innovation in this area is commercially sensitive, therefore, we will not be disclosing targets externally. However, in line with our SBTi commitment to achieve value chain net zero by 2040, we will measure and monitor all products that meet more sustainable attributes.

Typically, our effective product development rate is slow – relative to the useful life of our products, replacement rates are low, and customer approval timelines for critical power supply units can be elongated. Together, this leads to a slow diffusion rate of new products into the market, meaning significant value chain emissions reductions will only present in the medium to long term. Additionally, sustainability innovation requires a balanced approach, as our actions can impact other product attributes (i.e. cost and size), which remain key customer considerations.

Estimated lifetime savings from XP Green Power products

For continuity, we are reporting on our XP Green Power products on the same basis as last year, however, we will be introducing a new product carbon rating system during 2024. Once defined, we will map our product hierarchy internally to this new system. The updated rating system will provide a detailed hierarchy related to efficiency levels in our products, providing a more precise stratification of our product suite by efficiency.

XP Green Power products consume less electricity than the average power converter both while powering the load and when on standby. For instance, a power converter operating at 90% efficiency wastes half of a power supply operating at 80% efficiency. Consequently, the savings in energy and, therefore, lifetime use phase CO_2 emissions are significant. The CO_2 emission savings from XP Green Power products consistently exceeds our Scope 1 and 2 CO_2 emissions and is the biggest contributor to reducing our total emissions. Achieving these efficiency gains requires more higher-cost components and complex circuits, but the return on investment of a higher-efficiency product can be captured in electricity consumption with full payback on electricity costs, usually within the first year of use. Therefore, we continue to promote and encourage the use of these high-efficiency products and anticipate that the trend for higher-efficiency products will continue in the electronics industry. Legislative requirements are projected to extend across various industries from consumer equipment to the healthcare and industrial markets we serve.

We introduced ten XP Green Power product families in 2023. The estimated lifetime savings from the XP Green Power products shipped during 2023 is 140,300 tonnes CO_2. In estimating these savings, we assume:

- XP Green Power product efficiency of 90% versus average power converter efficiency of 80%.
- The power converter will run for eight hours a day, five days a week, 50 weeks a year, for seven years, in the customers' equipment.
- The customer will run the power converter at 75% of its rated power.
- 1kWh of electricity produces 0.418kg of CO_2.

Product carbon rating system – protecting the environment by increasing energy efficiency

Sustainability is an integral part of our strategy with our aim to reach net zero carbon emissions by 2040.

By focusing on developing power conversion products that are smaller, consume less physical material, eliminate hazardous substances wherever possible and produce less waste power, we are able to minimise our own carbon footprint and help our customers to limit their environmental impact.

The majority of the carbon footprint of power conversion products or systems is related to conversion efficiency over the service life. By increasing the energy efficiency, we reduce the environmental impact of the power system itself and the equipment into which it is installed, while supporting compliance with any end-product-specific energy efficiency criterion.

External power supplies are subject to global energy efficiency legislation and our products meet or exceed these requirements with clear specifications and markings to indicate compliance. In addition to the marking for compliance, our external power supplies are further categorised in our carbon rating system to identify those with the highest energy efficiency and the lowest waste power.

For component or embedded power supplies, high-voltage power supplies and RF generators, no such energy efficiency legislation exists, making selection of the latest most energy efficient, lowest carbon emission products more challenging.

Our product carbon rating system has been developed to make this process easy and transparent when customers select a power system for their application. The system will divide products into four groups reflecting different levels of efficiency.

Boosting innovation

We consider and respond to environmental issues through our product development process, with our high-efficiency products playing a role in helping the economy move to a low-carbon future. Our new product design process considers:

- **Energy efficiency** – We have consistently led the industry in developing high-efficiency XP Green Power products, in the industrial and medical sectors, which consume and, therefore, use less electricity in both powering the application or on standby. This results in significantly reduced CO_2 emissions over the lifetime of the customers' equipment, (c.7–10 years).
- **Novel materials** – Wherever possible, we introduce novel materials into our higher-end products, such as ultra-efficient silicon carbide devices. We have also used new semiconductor components for the control of our power supplies, allowing soft switching to reach very high-efficiency rates and low standby power ratings. Future developments in power transistor technology are expected to allow significant reductions in the size of power converters, increasing their efficiency in some applications. In products such as Power FET, IGBT and ceramic capacitors, we use over 4,000 key materials and components to produce durable, quality products.
- **Product lifecycle management** – Our design processes consider complete product lifecycles of our power conversion products from the outset, aiming to extend the useful product life wherever possible. Product characteristics that improve energy efficiency also increase reliability and useful lifetimes as highly efficient products run cooler, which increases the heat sensitive components, such as electrolytic capacitors, lifetime. Efficient products also avoid needing an electromechanical fan to exhaust the waste heat, which has traditionally been an unreliable component.
- **Hazardous substances** – We avoid the use of hazardous substances in our products, facilitating their recycling at the end of their lifetime and reducing their environmental impact.

→
READ MORE ABOUT OUR BUSINESS STRATEGY ON PAGES 22–23

→
READ MORE ABOUT OUR SUSTAINABILITY STRATEGY ON PAGES 26–33

OUR SUSTAINABILITY STRATEGY

1. SUSTAINABLE PRODUCTS CONTINUED

- **Low-carbon manufacturing** – As well as designing highly efficient products, we also consider the manufacturing process. Traditionally, post manufacturing, products undergo stress testing (burn-in) to eliminate early failures. When we burn-in our products, we recycle the power into the manufacturing facility to significantly reduce our carbon footprint. Burn-in cycles are monitored and reduced based on defect data, further reducing CO_2 emissions.
- **Product safety** – A power converter is a safety critical part of any electrical system or application as it provides the isolation barrier between the end user and the potentially lethal high-voltage mains electricity. For example, a mains powered drug delivery system connects directly to a patient, and so relies on the safety isolation within our power supply to keep the patient safe. All of our products come under the remit of our ISO 9001 registration.
- **Packaging** – During 2023, the use of single-use plastics has been materially reduced across most sites. However, we still need to focus on improving our product packaging in terms of materials used (i.e. reducing plastic and foam insulation uses), and in packaging optimisation (i.e. reducing oversized packaging). Both areas are under internal investigation.

Product recall procedure

XP Power has an established product recall procedure designed to provide a system and assign responsibilities for product recall, enabling us to monitor product safety and performance. If a customer complaint, field non-conformance or manufacturing defect is discovered regarding the safety or quality performance of an XP Power product, it shall be investigated.

The investigation and failure analysis of the suspect product is reviewed by XP Power Quality and Engineering. If determined that the return is a potential safety risk or an abnormal field reliability issue, then XP Power Quality initiates and coordinates a Recall Committee team meeting. Quality also notifies the CEO immediately if there is a potential safety issue. If it is agreed that a recall is the appropriate action, then a Recovery Plan must be developed by the Recall Committee. Customer complaints are monitored and recorded regularly with all corrective and preventive actions implemented with good effectiveness.

Product responsibility policy

This year, we have formalised our approach to product responsibility, creating a Group Policy. Our Product Responsibility Policy outlines our commitment to the responsible design, manufacturing, and disposal of products to ensure their positive impact on individuals, society, and the environment. The Policy can be found here: corporate.xppower.com/about-us/corporategovernance.

Responsible sourcing and supply chain

We require all suppliers to adhere to our Code of Conduct and our Supply Chain Policy, which covers diversity, modern slavery and human trafficking, health and safety, business integrity and ethics, environment, and sustainability as it is vital that our suppliers apply the same principles of value, transparency and respect as we do. We also require next tier suppliers to acknowledge and implement the Responsible Business Alliance (RBA) Code. Our supplier qualification and ongoing audit programme reviews supplier compliance with our Code of Conduct and Supply Chain Policy, and we will disengage with suppliers who do not meet these standards. In addition, we will expand our supplier and component distributor engagement in managing our upstream emissions as part of our net zero plan.

XP Power's Code of Conduct and Supply Chain Policy are available at corporate.xppower.com/sustainability/environment.

This year we have created a new supplier survey covering a range of Environmental, Social and Governance (ESG) topics, such as carbon emissions, health and safety, and business ethics. To trial the questionnaire and develop a baseline understanding of our supply chain maturity on sustainability issues, it has been sent to our tier 1 suppliers (third-party manufactures and component suppliers). So far, we have had an 80% response rate, and plan to roll out our survey to the rest of the supply chain. We are currently reviewing the responses, following up low scoring suppliers with additional questions and support. As we are in development stages, no corrective measures have been established, but we aim to develop on this in the future, enabling us to improve supply chain performance.

Conflict minerals

We support initiatives and regulations to avoid the use of any "conflict minerals", which originate from mining operations in the Democratic Republic of the Congo (DRC) and adjoining countries. These involve tantalum, tin, tungsten, and gold. We only purchase our electronic components from reputable sources, and purchases of materials such as solder are only purchased from vendors who are on the Conformant Smelter & Refiner Lists. We also obtain information from our suppliers concerning the origin of the metals used in the manufacture of our products. This way, we can assure our stakeholders that we are not knowingly using conflict minerals in our products. Our supply chain organisation is responsible for the qualification and ongoing monitoring of our suppliers. We can confirm that 100% of our products' minerals come from suppliers that have been verified as conflict-free. XP Power's Policy on conflict minerals is set out at xppower.com/company/policies.

OUR SUSTAINABILITY STRATEGY

2. ENVIRONMENTAL LEADERSHIP

XP Power recognises the significance of climate change, and we aim to reduce our climate impact across all operations through managing and reducing our carbon emissions. In 2021, we announced our net zero ambition, followed by, in 2022, signing the letter of commitment with the Science Based Targets initiative (SBTi). In February 2024, both our near and long-term emissions targets have been approved by the SBTi. Our targets reaffirm our long-term goal of Net Zero across our value chain by 2040, while introducing interim targets for 2030. Further details of our pathway to Net Zero are included in our Transition Plan.

Our transparency commitments include regular public disclosures of our carbon emissions, collaboration with CDP Climate Change, and reporting against TCFD recommendations (page 82), which includes details of our oversight, risk assessment and climate-related strategy.

Managing environmental performance

Our Governance structure is outlined in our TCFD Report. Site representatives are responsible for the monitoring and reporting of relevant ESG data, including energy use, Scope 1 and 2 emissions, water, and waste. Each site also has a 2030 action plan to address Scope 1 and 2 emissions, which in some cases requires further monitoring of the processes and equipment to identify the main drivers at each location.

The Group has a comprehensive Environmental Policy, as well as an internationally accredited Environmental Management System (ISO 14001) at three (25%) of our 12 sites, which include our main production centres and accounts for around 78% of the Group's employees. Among other issues, our ISO 14001 certified management system includes our handling of waste and hazardous materials. Compliance is ensured through our internal audit process together with external assessments by our registrar, British Standards Institution (BSI). The Group has not had any environmental fines in the last 12 months (2022: nil).

We will strive to improve our environmental performance by:

- Complying, as a minimum, with all relevant environmental legislation and regulations as they relate to each location and community, we operate in.
- Regularly reporting on our environmental issues, monitoring our environmental performance through ISO 14001 reviews.
- Employing best practices to maximise the efficient use of resources, minimising waste and preventing pollution.
- Minimising the impact, we, and our products, have on the environment.
- Focusing on promoting an environment of continuous improvement and risk mitigation through identifying objectives, and setting measurable goals.
- Considering and responding to environmental issues through all phases of our product lifecycle.
- Reviewing our ESG data, such as water consumption and carbon emissions, monthly through site reps who report to our central sustainability function.
- Communicating our Environmental Policy and objectives to our suppliers and employees, encouraging their participation in environmental best practices. Our Environmental Policy is available at corporate.xppower.com/sustainability/environment.

Energy and greenhouse gas emissions

This section has been prepared for the reporting period of 1 January 2023 to 31 December 2023. The Group has defined its organisational boundary using an operational control approach with no material omissions from within the organisational boundary of the Group. GHG emissions have been calculated from business activities in accordance with the principles and requirements of the World Resources Institute (WRI) GHG Protocol: A Corporate Accounting and Reporting Standard (revised version) and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (the Department for Environment, Food and Rural Affairs (DEFRA) factors) have been used to calculated Scope 1 emissions. Scope 2 emissions associated with the GHG Protocol Location-Based method have been calculated using International Energy Agency (IEA) country-specific emission factors. Scope 2 emissions associated with the GHG

13 CLIMATE ACTION

How this strategic pillar links to the UN SDGs

Taking urgent action to combat climate change aligns with UN SDG 13 "Climate action".

OUR SUSTAINABILITY STRATEGY

2. ENVIRONMENTAL LEADERSHIP CONTINUED

Protocol Market-Based method have been calculated using residual mix emission factors from the Association of Issuing Bodies 2022 (AIB) where applicable. In the absence of residual mix emission factor availability, International Energy Agency (IEA) country-specific emissions factors have been used in line with the GHG Protocol guidance. If sites generate their own renewable electricity or purchase electricity backed by contractual instruments (such as Renewable Energy Guarantee Origin), this has been taken into consideration within the calculations. In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data. As a result, we have restated our Scope 1 2022 emissions data to reflect the addition of fugitive emissions. Our target base year Scope 1, 2 and 3 GHG emissions for 2022 were verified in accordance with requirements of "Limited Assurance" procedures by Intertek Assuris for the fiscal year 2022. The verification was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3410.

The following table outlines our emissions and energy usage across the whole Group accounting for all XP Power sites. Absolute location-based Scope 1 and 2 decreased 1% year on year largely due to a decrease in overall Scope 1 emissions from reduced diesel usage in Vietnam as a result of generators being used less. Our market-based Scope 2 emissions have been reduced significantly as a result of purchasing renewable electricity generated off-site, via energy attribute certificates (EACs). We have purchased EACs that cover c.98% of Scope 2 emissions and from 2024, all sites will be covered by EACs or a renewable energy supply. In the near term we will continue to purchase renewable energy certificates to reduce our market-based Scope 2 emissions. In the longer term we will explore further development of onsite generation, PPAs and pursue energy efficiency opportunities.

Our emissions and energy intensity are reported as tonnes CO$_2$e/£m revenue and kWh/£m revenue. Our overall Scope 1 and 2 emissions intensity decreased 10% this year, while our energy intensity decreased 4%. This is due to the general energy efficiency initiatives that are discussed below in more detail.

Emissions and energy

	2023			2022			2021		
	UK	Global (excl UK)	Group total	UK	Global (excl UK)	Group total	UK	Global (excl UK)	Group total
Intensity measure									
Group turnover £'m			316.4			290.4			240.3
Scope 1 fugitive emissions (tCO$_2$e)	10	217	227			221			
Scope 1 combustion emissions (tCO$_2$e)	23	299	322	26	314	340	2	210	212
Total Scope 1 (tCO$_2$e) [1]	33	516	549	26	314	561	2	210	212
Scope 2 market-based (tCO$_2$e)	–	105	105	26	6,442	6,469	29	6,001	6,030
Scope 2 location-based (tCO$_2$e)	30	6,344	6,374	26	6,442	6,469	29	6,001	6,030
Scope 2 purchased heat and steam (tCO$_2$e)	–	14	14	–	12	12	–	18	18
Total Scope 2 – market-based (tCO$_2$e)	–	119	119	26	6,455	6,481	29	6,019	6,048
Total Scope 2 – location-based (tCO$_2$e)	30	6,358	6,388	26	6,455	6,481	29	6,019	6,048
Total Scope 1 and 2 – market-based (tCO$_2$e)	33	635	668	52	6,769	7,042	31	6,230	6,260
Total scope 1 and 2 – location-based (tCO$_2$e)	63	6,874	6,937	52	6,769	7,042	31	6,230	6,260
Upstream Scope 3 (tCO$_2$e)	–	–	100,394	–	–	178,930	–	–	505
Downstream Scope 3 (tCO$_2$e)	–	–	480,487	–	–	496,038	–	–	–
Total Scope 3 (tCO$_2$e)	–	–	580,881	–	–	674,968	–	–	505
Total Scope 1, 2 and 3 – market-based (tCO$_2$e)	–	–	581,549	–	–	682,010	–	–	–
Total scope 1, 2 and 3 – location-based (tCO$_2$e)	–	–	587,818	–	–	682,010	–	–	6,765
Scope 1 and 2 GHG Emissions Intensity ratio (per Group turnover) £'m	–	–	21.9	–	–	24.3	–	–	21.6
Energy Consumption (kWh)									
Total renewable fuels consumption (kWh)	–	–	–	–	–	–	–	–	–
Diesel	–	10,598	10,598	–	117,962	117,962	–	155,906	155,906
Gas	121,857	1,208,117	1,329,974	142,066	1,135,890	1,277,956	10,672	511,866	522,538
Propane	–	362,186	362,186	–	376,693	376,693	–	374,741	374,741
Total non-renewable fuels consumption (kWh)	121,857	1,580,901	1,702,758	142,066	1,630,546	1,772,612	10,672	1,042,513	1,053,185
Total fuels consumption (kWh)	121,857	1,580,901	1,702,758	142,066	1,630,546	1,772,612	10,672	1,042,513	1,053,185
Consumption of purchased or acquired electricity renewable	144,624	310,737	455,361	–	125,669	125,669	–	–	–
Consumption of self-generated non-fuel renewable energy (solar)	27,887	30,126	58,013	30,116	34,009	64,125	23,506	37,266	60,772
Consumption of purchased or acquired electricity non-renewable	–	12,077,519	12,077,519	136,657	11,537,308	11,673,965	135,191	10,749,647	10,884,838
Total electricity consumption (kWh)	172,511	12,418,382	12,590,893	166,773	11,696,986	11,863,759	158,697	10,786,913	10,945,610
Consumption of purchased or acquired heating (kWh)	–	82,365	82,365	–	72,266	72,266	–	106,030	106,030
Total renewable energy consumption (kWh)	172,511	340,863	513,374	30,116	159,678	189,794	23,506	37,266	60,772
Total non-renewable energy consumption (kWh)	121,857	13,740,786	13,862,643	278,723	13,240,119	13,518,842	145,863	11,898,190	12,044,053
Total energy consumption (kWh)	294,368	14,081,649	14,376,017	308,839	13,399,797	13,708,636	169,369	11,935,456	12,104,825
% renewable electricity from total electricity	100%	99%	99%	18%	1%	2%	15%	0%	1%
% On-site solar generation	16%	0%	0%	18%	0%	1%	15%	0%	1%
% Renewable electricity purchased[2]	84%	2%	4%	0%	1%	1%	0%	0%	0%
% Electricity purchased covered by Energy Attribute Certificates (EACs)[3]	0%	96%	94%	0%	0%	0%	0%	0%	0%
% Grid electricity from total electricity	0%	97%	96%	82%	100%	99%	85%	100%	99%
Energy intensity ratio (per Group turnover) £'m			45,422			47,206			50,374

[1] 2022 Scope 1 emissions have been restated to include refrigerants for 2022 as well as 2023.

[2] Electricity that has been purchased directly from an energy supplier that is certified to be renewable.

[3] Renewable energy EACs purchased for all non-renewable electric consumption in 2023 at US and Asian sites.

OUR SUSTAINABILITY STRATEGY

2. ENVIRONMENTAL LEADERSHIP CONTINUED

Scope 3 emissions

We are reporting our Scope 3 emissions for the second time this year, with guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required. While our Scope 3 footprint has reduced 14% year-on-year, the same two categories of use of sold products and purchased goods, remain our most material. Use of sold products (73% of Scope 3) has decreased 3% compared to 2022 due to changes in mix of products sold. Purchased goods and services (16% of Scope 3) have reduced 46% compared to 2022. The decrease in emissions is due to reduced purchasing of stock and raw materials as our inventory reduced to normal levels. While our total upstream transport and distribution emissions remain minor compared to these two categories, we have reduced emissions 32% year on year due to a change in modal shift from air to sea.

Category	Status	2022 tCO_2e	2023 tCO_2e
1. Purchased goods and services	Relevant, calculated	167,275	90,564
2. Capital goods	Not relevant, immaterial	n/a	n/a
3. Fuel and energy-related activities (not included in Scope 1 or 2)	Relevant, calculated	2,190	1,547
4. Upstream transportation and distribution	Relevant, calculated	6,254	4,243
5. Waste generated in operations	Not relevant, immaterial	n/a	n/a
6. Business travel	Relevant, calculated	517	716
7. Employee commuting	Relevant, calculated	2,694	3,324
8. Upstream leased assets	Not relevant, not applicable	n/a	n/a
Total Upstream Scope 3		**178,930**	**100,394**
9. Downstream transportation and distribution	Not relevant, not applicable	n/a	n/a
10. Processing of sold products	Not relevant, immaterial	n/a	n/a
11. Use of sold products	Relevant, calculated	496,038	480,487
12. End-of-life treatment of sold products	Not relevant, immaterial	n/a	n/a
13. Downstream leased assets	Not relevant, not applicable	n/a	n/a
14. Franchises	Not relevant, not applicable	n/a	n/a
15. Investments	Not relevant, not applicable	n/a	n/a
Total Downstream Scope 3		**496,038**	**480,487**
Total Scope 3		**674,968**	**580,881**

Energy efficiency initiatives

Throughout the year, a range of initiatives reduced our carbon footprint and energy consumption. These are listed below.

- Additional installation of 50 LED lights at our Kushan site and further installation of LEDs in Vietnam.
- Continued replacement of older air conditioning with newer power saving units, which reduce energy consumption 20% per new conditioner installed.
- We continued to utilise the solar rooftop capacity of 70 kWh per day at our Vietnam site and are exploring options to expand capacity in 2024 and 2025.
- To increase the efficiency of our manufacturing processes, our production line continued to review product burn-in time with certain product lines halving this time, resulting in reduced energy consumption.
- We continued to encourage our colleagues to reduce their energy consumption, while working by turning off lighting and altering air conditioning running.

Water

We have a low water intensity in operations, and water is not used in the design, manufacture or services of our products. However, in recognition of water being a finite resource, water management is considered throughout Group activities as we try to limit water use, employing best practices to reduce its usage in all our facilities. At our Vietnam facility, this includes rainwater capture, installing water-saving appliances and deployment of reduced flush toilets throughout our facilities. Water withdrawal is a key environmental metric and is tracked across the business. Although water is not a material issue to XP Power, we undertook a water risk assessment using the WRI Aqueduct Tool to understand which sites may be at risk of water stress[1]. Our Southern Californian design centre is the only facility located in an area of extremely high-water stress, but as an R&D-focused facility, water requirements are minimal.

Our Water Policy is to:

- Employ best practices to maximise efficient water use and minimise pollution and waste.
- Regularly review and report on the water use of our facilities and activities.
- Commit to continuous improvement in responsible water management through identifying objectives and setting measurable goals.
- Involve and educate employees, contractors and customers in our water use programmes.
- Engage with suppliers, encouraging their participation in responsible water management best practices.
- Disengage with any suppliers who may be found to be negligent or non-compliant with responsible water management and who do not aggressively implement corrective actions. Our Water Policy is also available at xppower.com/company/policies.

Freshwater withdrawal (m^3)

	2023	2022	2021
UK	**1,369**	**1,025**	**545**
Germany	**2,233**	2,269	46
China	**14,619**	12,785	9,615
USA	**5,361**	6,529	5,427
Vietnam	**35,386**	35,887	37,430
Singapore	**2,385**	2,085	–
Global (excl UK)	**59,984**	**59,555**	**52,518**
Group total	**61,353**	**60,580**	**53,063**
Water intensity ratio (per Group turnover) £m	**193.9**	208.6	220.8
Water intensity ratio (per employee)	**22.9**	23.4	23.8

The table above outlines freshwater withdrawal from all XP Power sites. Over time, we aim to reduce water withdrawal per employee, and this year overall freshwater withdrawal per employee decreased 2%.

Waste management

Our manufacturing processes produce relatively little waste, but we are committed to reducing both non-hazardous and hazardous waste where possible across our operations. We have a specific Waste Management Procedure, outlining risk prevention measures, how waste should be classified, handled, collected, stored and disposed. In case of waste-related emergencies, employees follow the "Emergency Preparedness and Response Control Procedure". Additionally, any employees involved in hazardous waste disposal have the appropriate personal protective equipment to avoid environmental and health and safety accidents. Our HR department supervises training on waste management, ensuring training occurs yearly, with prompt additional training if procedure or personnel changes. Training includes waste management proficiency, including handling measures in emergency situations and enhancing environmental awareness.

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[1] Assessed using the World Resources Institute's (WRI) Aqueduct Water Risk Atlas tool. Areas of extremely high-water stress, according to the WRI definition, are areas where human demand for water exceeds 80% of resources.

OUR SUSTAINABILITY STRATEGY

2. ENVIRONMENTAL LEADERSHIP CONTINUED

As part of our RBA compliance, our facilities receive customer managed audits, which involves a facility assessment overseen by one of the facilities customers. These audits include environmental aspects that relate to issues such as waste, air emissions and water.

One major source of waste is the excess solder from the wave solder machines, so-called "solder dross", which is recycled into new solder and reused in our operations. In 2023, we sent 16.9 tonnes of solder dross for recycling, receiving 13.1 tonnes of recycled solder back. This is a 78% recovery rate. We use activated carbon, and certain chemicals to clean flux from printed circuit boards. These chemicals, and their containers, are safely disposed of through a certified, licensed third-party professional. In 2023, we had zero reportable spills.

The following tables outline waste generation and treatment from all our sites. The increase in total waste generated and waste treated is a result of increased coverage of reporting across the Group. Previously, we had only reported our Chinese and Vietnamese sites.

Waste generation (tonnes)	2023	2022	2021
Hazardous waste	**15**	7	7
Non-hazardous waste	**577**	151	151
Total waste	**592**	**158**	**158**
Hazardous waste intensity ratio (per Group turnover) £'m	**1.8**	0.02	0.03

Waste treatment/disposal (tonnes)	2023	2022	2021
Hazardous waste recycled	**14**	–	–
Hazardous waste incinerated	**6**	7	7
Hazardous waste sent to landfill	**–**	–	–
Non-hazardous waste recycled	**158**	90	109
Non-hazardous waste incinerated	**93**	–	–
Non-hazardous waste sent to landfill	**223**	61	42
Solder sent for internal recycling	**17**	12	9
Recycled waste (solder) received and used	**13**	9	5
Internal rate of recovery of solder (%)	**78%**	72%	53%
Solder dross disposed[1]	**2**	2	2
Total waste recycled	**172**	**90**	**109**
Total waste incinerated	**99**	**7**	**7**
Total waste sent to landfill	**223**	**61**	**42**
Total waste non-recycled	**322**	**68**	**49**
Total waste	**494**	**158**	**158**

[1] Transferred to treatment contractor for recycling.

Biodiversity

We understand the importance of, and are committed to, protecting the natural environment, preserving biodiversity, and wherever possible, minimising the potential negative impact that our business may have on the environment. We recognise that climate change, deforestation, land degradation and water pollution each pose a severe threat to the sustainability of important ecosystems, and that business and industry can contribute to these negative effects. Our Biodiversity Policy is also available at corporate.xppower.com/sustainability/environment.

OUR SUSTAINABILITY STRATEGY

3. PEOPLE AND WORKPLACE

As a responsible employer, health and safety is of paramount importance to us. Whether working on site, or from home, we strive to safeguard the health, safety and wellbeing of all our people (including contractors). Our health and safety programme is driven from the top, with the Board having ultimate responsibility, while benefiting from shared experiences, health and safety is coordinated globally and managed locally. Our corporate health and safety framework defines those responsible and accountable at each of our key sites, while the procedure also defines the minimum standards required. These can be summarised as follows:

- Risk assessments based on the activities performed at each site, which are reviewed and updated annually.
- An annual internal audit of the health and safety processes at each site to ensure they are in line with corporate procedure.
- Health and safety metrics are recorded covering incidents and near misses, and these are reported and analysed. The Board reviews these metrics at each Board meeting.
- Metrics relating to walkthrough safety audits, fire drills and update of risk assessments are recorded and monitored.
- Consideration is given at each site to ergonomics, laboratory and electrical safety, legal requirements, use of chemicals, use of equipment and tools, facility preparedness and evacuation, and slips, trips and falls.

We are committed to maintaining a healthy and safe working environment to minimise the number of occupational accidents, diseases and illnesses, and ultimately achieve an accident-free workplace. We encourage our people to look out for each other, keeping us all safe. We have enhanced health and safety through improved product racking, use of health and safety consultants, advisers, and auditors. XP Power's Health and Safety Policy is available on our website at xppower.com/company/policies.

We provide all our employees with health and safety training appropriate to their role. The number of employees trained on health and safety standards within 2023 are:

	2023	2022	2021
Europe	**139**	268	82
Asia	**1,899**	2,030	1,444
US	**486**	232	237
Global	**2,524**	**2,530**	**1,763**

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

How this strategic pillar links to the UN SDGs

This aligns with UN SDG 3 "Good health and wellbeing", 5 "Gender equality", 8 "Decent work and economic growth", and 10 "Reduced inequalities".

OUR SUSTAINABILITY STRATEGY

3. PEOPLE AND WORKPLACE CONTINUED

Safety performance

We report all health and safety incidents, including near misses, whether they resulted in lost time, and we actively encourage the reporting of near misses so we can learn from these events. Our ultimate goal is to have zero injuries.

There is nothing more important than the safety of our employees. We intend to do all that we can to protect everyone who works for XP Power. As such, we have established safety policies to ensure we have effective systems to control hazards and achieve our ultimate goal of zero injuries. This year, we have restated our health and safety statistics to align with global metrics such as Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR). Globally, we have updated several of our H&S processes, including a centralised health and safety reporting system that encourages the reporting of all health and safety incidents, including medical injuries, lost time, and near misses. We are focusing on correcting the root cause of injuries and near misses and preventing the potential for more serious incidents. Our objective is to learn from incidents and near misses so we can promote safe practices and correct unsafe behaviours. As a result, we are starting to see an increase in the number of non-medical incidents reported, such as near misses but expect the impact to be fully felt in 2024.

Our H&S statistics are reported below. We continue to review all accidents and near misses to ensure we learn from them and make improvements to keep all employees safe from harm or injury. The figures in the table below cover 100% of employees and contractors.

Health and safety LTIR[1] and TRIR[2] table

	2023	2022	2021
LTIR	**0.23**	0.22	0.13
TRIR	**0.35**	0.35	0.45

[1] Lost-time Incident Rate (LTIR) is defined as total number of lost time incidents in a year, divided by the total number of hours worked, multiplied by 200,000. We define a lost time incident as an incident that occur when a worker sustains a lost time injury that results in time off from work, or loss of productive work.

[2] Total Recordable Incident Rate (TRIR) is defined as total number of medical injuries, divided by the total number of hours worked, multiplied by 200,000.

Health and wellbeing

We encourage our employees to have active lifestyles and we provide facilities and programmes designed to improve their wellbeing. These include the provision of sports facilities (e.g. basketball courts), shower facilities on site, and group events (e.g. softball leagues and yoga sessions). The wellbeing of our people is something that is vital to us at XP. We started, three years ago, to offer all employees a wellbeing day – an additional day of paid leave following the COVID-19 period – to focus on something that specifically supports people's personal wellbeing and health. In 2023, we continued the practice in many countries including in our large manufacturing sites in Kunshan, China and Ho Chi Minh, Vietnam.

We also operate a comprehensive Employee Assistance Programme (EAP), which provides confidential expert advice and compassionate guidance 24/7, online or by phone, in the relevant language, covering a wide range of topics and resources for our employees and their families – a complete support network.

Our people

We look after our employees, support their training and development, recognise cultural differences, respect their human rights and promote a fair working environment with equal opportunities for all. As a global business, we capitalise on our cultural differences and strive to make XP Power a fulfilling place to work. We are currently developing a new Human Resources dashboard, which will enable us to track key people metrics such as age and gender at a site level across our global operations.

Engagement

Our vision is to deliver the ultimate experience for our stakeholders. Through workforce engagement, employee views are heard at a Board level and are considered in discussions and decision making. Pauline Lafferty is the designated Non-Executive Director responsible for workforce engagement and, as a former Chief People Officer, is passionate about employee engagement.

We use several methods to engage with our people but derive high value from our Gallup engagement survey, first conducted in 2020 and used to drive further employee programmes and enhancements to our engagement and retention. Participation rates were again excellent in 2023, at 89% (2022: 92%). This year, our engagement score was 3.99 out of 5.00 (2022: 3.83), putting us at the 41st percentile in the Gallup database[1]. Comparing our year-on-year results we can observe significant improvements of our people's level of engagement in the organisation, which is encouraging considering the market environment. We are actively pursuing our goal to offer a consistent employee experience globally and observe the current spread in results. To further engage our employees and keep them informed of our progress and sustainability-related information, such as plastic reduction initiatives, we plan to distribute newsletters, townhalls and update the intranet.

Full-time employee voluntary turnover percentage (%)

		2023	2022	2021
Europe	Average number of employees	**344**	338	154
	Voluntary leavers	**44**	27	17
	Voluntary turnover	**13%**	8.0%	11%
Asia	Average number of employees	**1,825**	1,781	1,606
	Voluntary leavers	**880**	811	602
	Voluntary turnover	**48%**	46%	38%
US	Average number of employees	**500**	472	411
	Voluntary leavers	**63**	91	48
	Voluntary turnover	**13%**	19%	12%
Global	Average number of employees	**2,669**	2,590	2,171
	Voluntary leavers	**987**	929	667
	Voluntary turnover	**37%**	36%	31%

Labour

We are committed to fair treatment of our employees, and our goal is to pay competitively, rewarding exceptional performance. Our policy is to pay all employees fair salaries and other terms of conditions of employment as appropriate. We recognise that a work/life balance is important and, where possible, we offer flexible working arrangements to allow employees to balance their work with their other priorities. As a Group, we aim to eliminate excessive working hours and respect national legislation and industry referenced standards on maximum working hours.

[1] Results exclude Vietnam and China employees.

OUR SUSTAINABILITY STRATEGY

3. PEOPLE AND WORKPLACE CONTINUED

Diversity and equality

Becoming a truly diverse and inclusive company is not only the right thing to do but is also crucial to helping us grow our business, innovate, attract and retain talent, and engage our customers. Different experiences, views and opinions allow us to explore options and decisions more widely, which we believe generates better outcomes for the business and stakeholders. We also recognise the cultural differences that may exist in our global operations, while also acknowledging that a diverse workforce reflects our markets and will aid us in succeeding. We are committed to non-discrimination and offer equal opportunities in all our employment practices, procedures and policies. We operate an externally hosted whistleblowing hotline, which enables our employees to report any concerns or violations relating to discrimination or any other Code of Conduct aspect. When hiring, promoting or considering business partners, we choose the best candidate irrespective of age, race, national origin, disability, religion, gender, gender reassignment, sexual preference, social background, political opinion, marital status or membership/non-membership of any trade unions. During the year, we have launched the XP Power Women Employee Resource Group (ERG) to support women by providing them a platform to share their experiences, network and develop their skills. In 2023, the focus of the Women ERG included getting buy-in from the Executive Leadership with a sponsor from within the Executive Leadership Team and recruiting a diverse group of members and committee members representative of the diversity of women at XP Power. In 2024, the Women ERG group will focus on promoting women in the entire organisation and developing opportunities for networking and professional development. The Board has oversight of the Company's Diversity Policy, which is also available on our website at corporate.xppower.com/about-us/corporate-governance. Our Diversity Policy is embedded in our Code of Conduct.

We aim to:

- Create an environment where individual differences and the contributions of all team members are recognised and valued.
- Create a working environment that promotes dignity and respect for every employee.
- Not tolerate any form of intimidation, bullying or harassment, and to discipline those that breach this Policy.
- Make training, development and progression opportunities available to all employees.
- Promote equality in the workplace, which we believe is good management practice and makes sound business sense.
- Encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- Regularly review all our employment practices and procedures so that fairness is always maintained.

The Group is supportive of flexible working such as working from home, part-time and flexible hours according to the requirements of the position. The Group employs contract and temporary workers across many locations to fill local requirements, sometimes for short periods. This is particularly the case in our manufacturing facilities globally, to ensure we are meeting customer requirements. Many of our temporary staff choose to become permanent employees.

Number and percentage (%) of contract or temporary workers to total employees

		2023	2022	2021
Europe	Average number of employees	**344**	338	154
	Average number of temporary or contract employees	**10**	38	15
	Percentage of temporary or contract employees to permanent	**3%**	11%	10%
Asia	Average number of employees	**1,825**	1,781	1,606
	Average number of temporary or contract employees	**653**	925	731
	Percentage of temporary or contract employees to permanent	**36%**	52%	46%
US	Average number of employees	**500**	472	411
	Average number of temporary or contract employees	**79**	52	39
	Percentage of temporary or contract employees to permanent	**16%**	11%	10%
Global	Average number of employees	**2,669**	2,590	2,171
	Average number of temporary or contract employees	**742**	1,015	785
	Percentage of temporary or contract employees to permanent	**28%**	39%	36%

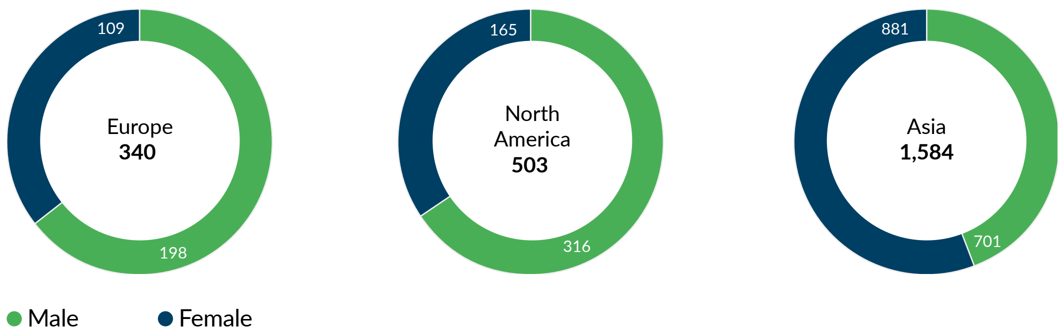
In the UK, for employees with more than two years of service, we pay maternity or adoption leave for three months at 100% of salary compared to the statutory six weeks at 90% of salary. We also provide two weeks of paid paternity leave at 100% of salary compared to statutory paternity leave of two weeks at £151 or 90% of usual pay if lower.

We have undertaken analysis based around gender representation to help understand our gender pay gap, including an equal pay assessment. We report our UK gender pay gap even though we have fewer than 250 employees in the UK and are, therefore, exempt from gender pay gap reporting. For 2023, our mean gender pay gap is 39.9% and median gender pay gap is 41.2%. We take a zero tolerance approach to any form of discrimination.

UK gender pay gap – April 2023

Employee numbers	Male (Hourly Pay)	Female (Hourly Pay)	Total	Male %	Female %
Lower quartile pay band	12	19	31	39%	61%
Lower middle quartile pay band	12	19	31	39%	61%
Upper middle quartile pay band	19	11	30	63%	37%
Upper quartile pay band	25	6	31	81%	19%
Total	**68**	**55**	**123**	**55%**	**45%**

Employees by gender and region as of 31 December 2023[1]



Gender diversity statistics[1]

	Male	Female	Total	Male	Female
Board	4	4	8	50%	50%
Executive Management	5	2	7	71%	29%
Management	73	20	98	74%	20%
All other	1,137	1,133	2,322	49%	49%
Total	**1,219**	**1,159**	**2,435**	**50%**	**48%**

XP Power is committed to meeting the recommendations of the FTSE Women Leaders and Parker Review. Of our Board, 50% are now women, including in roles such as Chair of the Remuneration Committee, Senior Independent Director, Chair of Audit Committee and Designated Director for Workforce Engagement. The composition of our Board meets the recommendations set by the Parker Review Committee and the FTSE Women Leaders (formerly the Hampton-Alexander review).

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[1] There are a total of 57 undisclosed employees, 5 of which are in management layer and remaining 52 in "All other" layer.

OUR SUSTAINABILITY STRATEGY

3. PEOPLE AND WORKPLACE CONTINUED

Talent and career management

With a wealth of talented individuals working across the business, we recognise the importance of supporting and developing the skills, knowledge and experience of our teams. From a more structured onboarding process, which ensures managers identify a day-one buddy and build a detailed initial training plan, to career conversations as part of the annual review process, we are committed to promoting training and career development.

Developing our talent is key to our ongoing success and is a key leadership responsibility, with line managers identifying high potential employees, creating development opportunities and supporting internal progression. Talent management and succession planning for the Executive Directors and Senior Leadership team is reviewed and discussed at Board level. Personalised people and organisation plans aligned to the attainment of the Group's strategy are agreed with all our Executive leaders, and our people leaders (with more than four direct reports) receive a people leadership programme with particular emphasis on employee engagement, and the need for clarity of expectations to drive high performance.

It is our aspiration that all XP Power employees can receive regular feedback on their performance. This feedback co-exists alongside our formal performance review process, where objectives are set, aligned and measured against our core value and key business priorities. We operate various bonus schemes and all non-sales commissioned employees are eligible to participate in our general or executive bonus scheme. The overall bonus pools are determined by the level of adjusted profit before tax and operating cash conversion, with individual bonuses allocated based on individual performance. We also have several spot recognition award schemes, which are occasionally given to teams to recognise and promote collaboration. Healthcare benefits and life assurance are also provided according to the customs in the regions we operate.

In 2023, we had 22 apprenticeships and 26 interns, and ran programmes in areas such as finance, human resources, information technology and logistics.

Average training time (in days) per employee

		2023	2022	2021
Europe	Average number of employees	**344**	338	154
	Total hours	**4,476**	8,192	2,101
	Hours per employee	**13**	24	14
	Days per employee	**1.6**	3.0	1.7
Asia	Average number of employees	**1,825**	1,781	1,606
	Total hours	**17,623**	25,292	14,426
	Hours per employee	**10**	14	9
	Days per employee	**1.2**	1.8	1.1
US	Average number of employees	**500**	472	411
	Total hours	**8,049**	10,319	747
	Hours per employee	**16**	22	2
	Days per employee	**2.0**	2.7	0.2
Global	Average number of employees	**2,669**	2,590	2,171
	Total hours	**30,148**	43,802	17,273
	Hours per employee	**11**	17	8
	Days per employee	**1.4**	2.1	1.0

Freedom of association

We allow our employees to freely associate with any relevant unions, but only our employees in Vietnam are members of the local union. The number and percentage of employees covered by collective agreements is:

		2023	2022	2021
Europe	Average number of employees	**344**	338	154
	Average number of employees covered by collective agreements	**–**	–	–
	Percentage of employees covered by collective agreements	**0%**	0%	0%
Asia	Average number of employees	**1,825**	1,781	1,606
	Average number of employees covered by collective agreements	**1,390**	1,406	1,063
	Percentage of employees covered by collective agreements	**76%**	79%	66%
US	Average number of employees	**500**	472	411
	Average number of employees covered by collective agreements	**–**	–	–
	Percentage of employees covered by collective agreements	**0%**	0%	0%
Global	Average number of employees	**2,669**	2,590	2,171
	Average number of employees covered by collective agreements	**1,390**	1,406	1,063
	Percentage of employees covered by collective agreements	**52%**	54%	49%

Community partnerships

We believe that we should give back to the communities we work in as they make up an integral part of our lives. All employees are encouraged to get involved in local environmental and community activities and every employee is able to take a day's paid leave to contribute to a charitable or worthy cause in the community.

Our activities in 2023 included:

- Several of our US sites, including Sunnyvale and Tustin, participated in Toy Drives to collect Christmas presents for children in need partnered with Joey's Toy Drive who is dedicated to bringing Christmas cheer to underprivileged children in San Jose and northern California for families who might not be able to afford Christmas gifts.
- Our Gloucester site partnered with Open-Door Food Pantry to participate in a Food Drive, while our Singapore employees delivered more than 200 bags of groceries to nearby low-income households in need.
- Several of our UK employees volunteered with Greenshoots, a local charity that provide horticultural therapy for adults with disabilities.
- Our site in Singapore also partnered with the National Environmental Agency where employees and their families contributed towards a beach clean.

The Group and our employees made donations to local charities totalling £15,339 in 2023 (2022: £8,563).

OUR SUSTAINABILITY STRATEGY

4. ETHICS AND COMPLIANCE

How this strategic pillar links to the UN SDGs

This aligns with UN SDG 16 "Peace, justice and strong institutions" through internationally promoting the rule of law and reducing corruption and bribery in all forms.

It is Company policy to conduct all business in an honest and ethical manner. The first of our five core values is "Integrity", and is, therefore, embedded into our culture, as well as our Code of Conduct and the policies outlined in the following sub-sections. To ensure Code of Conduct awareness and understanding, we use our learning management system to monitor all employees on their annual Code of Conduct training. Employee compliance with the annual Code of Conduct training is 61% for 2023. This figure is lower than previous years due to a reduced completion rate within our Vietnam site. However, we began running a campaign at the end of the year in Vietnam to have the Code of Conduct re-trained. This campaign is still running throughout January and completion results will, therefore, be reflected in the 2024 Annual Report.

The Group also relies on its general financial controls, authority matrix, general management oversight and review of financial and other reporting. In addition, we have an independent whistleblowing service available to employees who do not feel able to raise issues of concern to their line manager or their superior. The Audit Committee is responsible for monitoring, and compliance matters are regularly reviewed by the Board.

Whistleblowing

We are committed to an environment where open, honest communications are the expectation. Employees should feel comfortable bringing forward any concerns where they believe violations of policies or standards have occurred, in the secure knowledge that they will be taken seriously and there will be no adverse repercussions when they have acted in good faith, as embedded in our Code of Conduct. We operate an internal, well publicised, confidential whistleblowing programme administered through an independent third party, which is available 24/7. "Speak Up" runs in each operational country, and in their chosen language. This guarantees that employees' experiences of legal or ethical misconduct, such as discrimination, will be heard and acted upon quickly wherever it occurs. Concerns can be raised online or by phone, on an anonymous basis and in any chosen language. The Company protects employees who are whistleblowers from any detrimental treatment resulting from any whistleblowing, providing they acted in good faith.

Our Whistleblowing Policy encourages our employees to report issues where they have a reasonable belief that:

- Our Code of Conduct has been breached, such as an incident of discrimination.
- A criminal offence has been committed, is being committed, or is likely to be committed.
- A person has failed, is failing, or is likely to fail to comply with a legal obligation.
- A miscarriage of justice has occurred, is occurring, or is likely to occur.
- The health and safety of any individual has been, is being, or is likely to be, endangered.
- The environment has been, is being, or is likely to be, damaged.
- Information to show any matter falling within any one of the above categories has been, is being, or is likely to be, deliberately concealed.

A whistleblowing report is automatically distributed to the Chair of the Audit Committee by the independent third-party provider, where it is reviewed and assigned to management or an independent third party for further investigation and response as required. Whistleblowing is a scheduled agenda item at Audit Committee meetings. The Company is committed to taking appropriate action regarding all qualifying disclosures that are upheld. In 2023, there were no whistleblowing reports, with one report in 2022.

Anti-bribery and corruption

It is our policy to conduct all business in an honest and ethical manner. We will not accept or give bribes or other means of inducement to obtain improper advantage. The Company takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all business dealings and relationships, enforcing effective systems to counter bribery. Our policy on anti-bribery and corruption is embedded in our Code of Conduct, which all employees receive annual training on. Our Code of Conduct's section on bribery and corruption is detailed and includes numerous examples, to aid understanding of what is acceptable and unacceptable. The requirements of our Code of Conduct are communicated to our suppliers, who are required to comply with its provisions.

There were no instances of bribery or corruption in 2023 that executive management or the Board were aware of.

Modern slavery

We support the Modern Slavery Act 2015, and this is explicitly included within our Code of Conduct. We do not engage in any form of slavery or human trafficking activities, and we are strongly against any offences of slavery, servitude forced labour and/or human trafficking. We have also adopted a Corporate Policy, which has been communicated to all employees through our Code of Conduct and is supported by all levels of the organisation. The Policy can be found here: corporate.xppower.com/about-us/corporategovernance.

Any abuse of human rights will be acted upon immediately and appropriate action taken. All employees are trained on our Modern Slavery Policy through annual Code of Conduct training.

Human rights

Human rights are at the heart of sustainable business. We are committed to respecting human rights in accordance with international principles including the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Training is included in our annual Code of Conduct training. We can confirm that there were no reported incidents of human rights violations during the past year. The Policy can be found here: corporate.xppower.com/about-us/corporategovernance.

Information systems and technology

The Group considers that it has appropriately robust and secure information technology (IT) systems, while acknowledging that no IT system can be absolutely secure. The Group IT Director is responsible for the integrity and security of the IT systems and communications network. The Group has penetration testing, data back-up and recovery processes in place and there are various processes, software and hardware ready to prevent data security breaches and unauthorised access to the Group's systems and data. The Group holds regular cybersecurity training and awareness to ensure that our employees remain alert to threats.

Tax transparency

The Group is committed to compliance with all applicable tax laws and regulations in all areas it operates in or is required to make filings. All required tax filings are made accurately and on time with the relevant authorities. It is Group policy to not engage in any aggressive tax planning or tax avoidance schemes.

We believe that our tax activities should adhere to the spirit and the letter of all relevant tax laws and regulations where we operate. We are committed to a transparent and open approach to tax reporting. Our policy, as part of our governance framework, is to file all tax returns on time, and to pay tax as it falls due.

The Group has a low-risk tolerance for uncertain tax positions where it operates. We do not undertake any aggressive or unreasonable tax planning schemes for the purpose of tax avoidance, and broadly aim to align tax payments to revenue generation. We do not knowingly help others avoid their tax obligations.

We prohibit tax avoidance through transfer pricing. All intra-group transactions are required to be priced on an arm's length basis in accordance with the Group's internal transfer pricing policies, which reflect internationally accepted transfer pricing standards and local tax laws. We commit to not transfer value created to low tax jurisdictions and not use tax structures intended for tax avoidance. We do not operate in countries considered as partially or non-compliant according to the OECD tax transparency report, or in any countries blacklisted or grey listed by the EU for tax avoidance and harmful tax practices (as of 14 February 2024), apart from Vietnam, where our site is based due to availability of suitable labour and not located for tax purposes.

Our commitments on taxation are implemented through a system of procedures and controls in place across the Group. Tax is a regular agenda item for the Audit Committee, which meets at least four times a year, reporting to the Board. Tax compliance risks are managed through the Group's governance framework, overseen by the Audit Committee, and supported by the CFO.

Government contracts

The Group has no direct relationships where it sells products or services to any government entity.

COMMITMENT TO REDUCING CLIMATE CHANGE

TCFD REPORT

This report, in conjunction with, and aligned to, our net zero ambition covers our governance of climate change and demonstrates how we incorporate climate-related risks and opportunities into our risk management, strategic planning, and decision-making processes. Details of our pathway to Net Zero are outlined in our Transition Plan on pages 30–33.

Our report meets climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as well as being consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017) and the additional guidance set out in the TCFD 2021 Annex, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures".

Recommendation	Recommended disclosures	Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Page 83
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 83
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 84–89
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Pages 84–89
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 84–89
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 84
	b) Describe the organisation's processes for managing climate-related risks	Page 84
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 84
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 89
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 68–70
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 89

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READ MORE ABOUT OUR GROUP'S RISK MANAGEMENT PROCESS ON PAGES 52–59

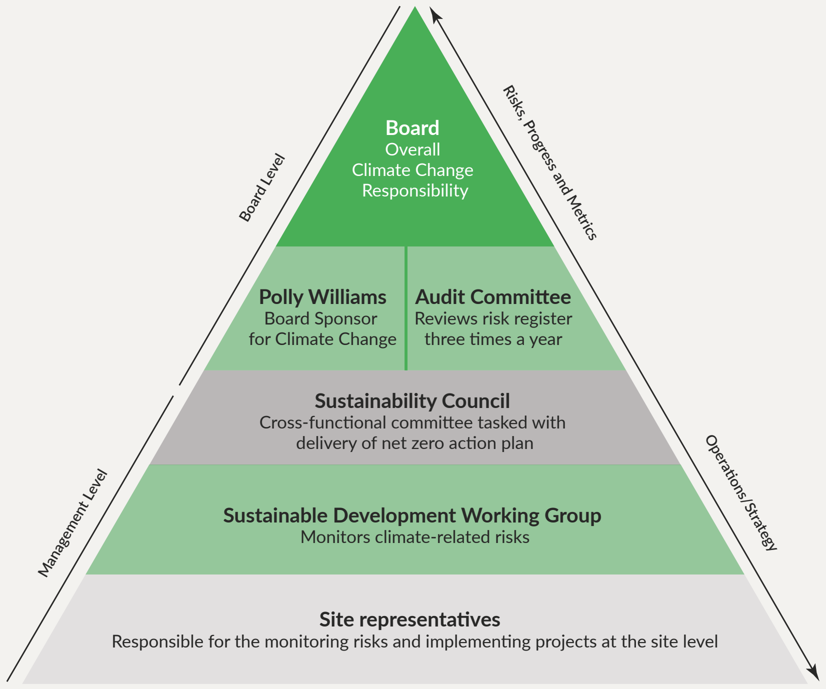
Governance

XP Power has a robust governance structure to manage our climate-related risks and opportunities. The Board of Directors has overall responsibility and oversight of climate-related risks and opportunities, all Group policies, including the Environmental Policy, and all matters that impact the strategy, risk management, vision, and values of the Group.

The flow of information regarding climate-related issues occurs within both the strategic and risk functions of the Group. The Board monitors the Group's sustainability strategy, progress against key initiatives and performance in relation to the net zero plan, as well as our sustainability scorecard. This ensures climate-related issues are considered within strategy, budgets, major capital expenditures and business. Senior Independent Director and Audit Committee Chair, Polly Williams, supports the Board in this function. In the risk function, the Audit Committee ensures climate-related issues are integrated into the Group's risk management process and are responsible for approving the Group's TCFD disclosure.

At the management level, the Executive Leadership Team (ELT) meets monthly to monitor progress and key sustainability strategy actions, reporting to the Board. The Sustainability Council supports the ELT with the Group's sustainability objectives. The Sustainability Council is a cross-functional team, chaired by the CEO, that meets quarterly, tasked with the formation and successful delivery of our sustainability action plan (including the net zero plan). The Council monitors policies, processes, objectives, targets and KPIs of our sustainability issues. Through reviewing our sustainability scorecard, the Council also determines progress against our plan, resolves issues, mitigates plan risks, and generates actions to the ELT, senior management, and site representatives. In relation to Net Zero, the sustainability scorecard tracks our Scope 1, 2 and 3 emissions, renewable electricity roll out, low carbon product introduction, waste reduction, and supply chain initiatives.

Sitting below the Sustainability Council, the Sustainable Development Working Group (led by the Group's Sustainability Lead), meets monthly. The Working Group has more of an operational remit, managing and tracking the progress of specific sustainability projects. This year, the Group has appointed site representatives for key sites, responsible for regular monitoring and reporting of site-specific sustainability metrics and risks, while also being responsible for the implementation of site-level corporate projects.



TCFD REPORT CONTINUED

Risk management

External consultants, CEN-ESG, helped to identify climate-related risks and opportunities, which were refined through Sustainability Council consultation. XP Power considers climate-related risks and opportunities in all physical and transition risk categories (current and emerging) whether they occur within our operations, upstream, or downstream of the Group. Risks are assessed within our short, medium, or long-term strategic planning horizons. Typically, transition risks occur top down and are considered at Group level. As part of operational risk assessments, the Group undertakes site level environmental risk assessments. This year we enhanced the level of analysis of physical climate risks at our sites using a natural hazard risk analysis tool, which enhanced the depth of insight to our global operations.

The management of climate-related risks is integrated into the XP Power risk management framework, with risks assessed in the same manner as other Group risks, so their relative significance is comparable. This includes an assessment of likelihood (on a five-point scale, low to high) and impact (on a five-point scale, minor to severe), to ensure significance of climate-related risks is considered in relation to risks identified in the standard risk management processes. Climate-related risks are included in the risk register and reviewed by the Audit Committee at four-monthly scheduled meetings to incorporate ongoing refinement and quantification of risks, and to ensure the register reflects any material changes in the operating environment and business strategy. Further details on each key risk and opportunity, such as a quantification of the financial impact, the appropriate strategic response, cost of response and variance of key risks regarding climate-related scenarios have been developed where possible. Combining this with the impact and likelihood assessment aids in determining each risks treatment, (e.g. mitigation, acceptance or control) so we can prioritise resources in managing the most material climate-related impacts, with other risks requiring further analysis or accepted as being within the Group's business-as-usual risk appetite.

Strategy

The identification of climate-related risks and opportunities underpins our net zero strategy and the management of these dovetails with our net zero transition plan; the mitigation of climate-related risks and the development of opportunities are effectively integrated into our strategic planning. The analysis has helped focus our strategy towards managing these issues.

The time horizons for our assessment of climate-related risks and opportunities considers: our commitment to net zero by 2040 and our net zero transition plan targets, that the Group owns some of its key operating sites, the timeframes required for climate change impacts to manifest and alignment to overall strategic planning horizons. The time horizons for our climate-related risk assessment are as follows:

- **Short term:** 0–3 years
- **Medium term:** 4–10 years
- **Long term:** beyond 10 years

As part of our assessment of climate-related risks and opportunities, we have conducted climate scenario analysis to assess the resilience of the Group's business model and strategy to climate-change under different scenarios. We have used different scenarios for both physical and transition risks and opportunities. Scenarios have been selected as they provide comparisons of ambitious, baseline and optimistic climate scenarios, which are appropriate for the nature of our business and our operating environment. Scenarios used are outlined below, according to physical and transition elements.

In aggregate, our risk assessment and scenario analysis has shown that our overall climate risk exposure is moderate. The Group is financially resilient and strategically robust to climate change. Our current understanding is that, considering our existing and planned mitigation strategies, and net zero action plan, any asset impacts are limited, and risks can be accommodated in our business-as-usual activities. We do not foresee any additional fundamental changes to our business strategy or capital expenditure envelopes resulting from climate change or net zero for the foreseeable future. There are no effects of climate-related matters reflected in judgements and estimates applied in the financial statements.

We will continue to develop our analysis as new data becomes available, internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework. The opportunities identified continue to be developed in line with Company strategy and objectives.

Physical climate-related risks

This year, we used a natural hazards software tool to conduct a more thorough physical risk analysis, allowing us to better understand the exposure of our sites and develop further mitigation efforts. The risk assessment looked at site-specific exposure to natural hazards, and the evolution of climate risks under the scenarios for global temperature rise. The scenarios embedded in the physical risks tool are:

RCP 4.5[1]: an intermediate scenario, more likely than not to result in global temperature rise between 2°C and 3°C, by 2100.

RCP 8.5[1]: a bad case scenario where global temperatures rise between 4.1–4.8°C by 2100.

[1] www.ipcc.ch/report/ar5/syr/

Our physical climate-related risk analysis covered all 12 Group sites, including our site under construction in Bota, Malaysia. Our sites have varying levels of risk exposure depending on their location. Our most material physical risk exposure is flood risk (see below). Our Gloucester, MA site is at risk from tropical cyclones, but we view this exposure as manageable. Some identified climate-related risks, such as heat stress, water stress, and wildfire risk have been determined immaterial due to: the sites size and strategic importance, the sites position within its geographical location, the nature of our processes and operations, and existing mitigation strategies already in place. There was no material increase in site risk exposure under the different scenarios and time horizons analysed.

We use an approximate revenue contribution to determine site size, business importance, and physical risk implications in our analysis.

Flood risk

Our site at Kunshan, China (~15% revenue contribution) is at risk from river flooding and coastal inundation, and FuG, Germany (~5% revenue contribution), is at risk from river flooding. Flood risk modelling forecasts that potential flooding in Kunshan would cover a large geographical area, disrupting local infrastructure and employees, whereas at FuG, flood risks are localised to the river, thus making flood impacts potentially more meaningful at Kunshan. Our analysis highlights potential operational disruption caused by floods that could lead to loss of output. However, we do not forecast any asset or material financial risk due to the following reasons: The Group has appropriate insurance policies in place to protect against business disruption, the Group operates a flexible model, allowing production to be moved to different sites, although relocation time would incur a loss of output. Short-term interruptions can also be overcome with working pattern changes to compensate for temporary loss of output. The construction of our third major site in Malaysia will provide further manufacturing flexibility and reduce reliance on the Kunshan site.

Supply chain risks

Physical climate-related impacts could also result in supply chain disruptions, either through supplier sites being directly affected, or by disruption to transportation and energy supply. Our supply of metals and fabricated items is flexible, however, some electronic components are specialised and cannot be easily switched out for alternatives. Individual supplier exposure is reduced as we source components from several suppliers and distributors. Our ongoing strategic supplier reviews incorporates analysis of our critical supplier relationships and options for switching to alternatives. Our recent supplier engagement survey, which incorporates engagement on our upstream emissions, will help assess our suppliers' exposures and we can use these results to plan further engagement.

The following table provides a high-level summary of the primary acute physical climate-related risks that could have an impact on the Group.

Risk	Flood risk	Supply chain risks
Type	Physical (Acute)	Physical (Acute)
Area	Own operations	Upstream
Primary potential financial impact	Lost production and revenue	Lost production and revenue
Time horizon	Medium-term	Medium-term
Likelihood	Medium	Medium–High
Magnitude of impact	Moderate	Major
Location or service most impacted	China, Germany (FuG)	Group
Metric tracked	Approximate revenue contribution	n/a

Transition risks and opportunities

We have assessed the risks and opportunities in a transition to a low carbon economy that may have a material impact on the Group. Risks may either carry financial, legal and/or reputational impacts to the Group. Our Net Zero Transition Plan helps mitigate transition-related risks.

We have used the following two International Energy Agency's (IEA) scenarios to perform scenario analysis for our transition risks and opportunities.

Net Zero 2050 (NZE)[2]: a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. This scenario meets the requirement for a "below 2°C" scenario and is used as a positive climate pathway. NZE also informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi).

Stated Policies Scenario (STEPS)[2]: representing projections based on the current policy landscape and is used as a base/low case pathway. Global temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability.

[2] iea.org/reports/global-energy-and-climate-model

TCFD REPORT CONTINUED

Carbon price impacts in the value chain

Our Scope 1 and 2 exposure is low and planned mitigation will further limit potential carbon price impacts on our direct operations. However, the Group is exposed to potential carbon price impacts within the upstream value chain, which may result in increased cost of transportation and goods sold. We have analysed our exposure to potential carbon pricing mechanisms using our projected emissions under our Transition Plan. Under the NZE and STEPS scenarios, carbon prices are projected to increase, but whether and how carbon prices are applied to purchased goods and transport, and our ability to pass on cost increases is very uncertain.

As part of our net zero plan, we are aiming for a 25% reduction in Scope 3 by 2030 and net zero across the value chain by 2040, thereby mitigating the impacts of carbon pricing on our value chain. We have identified our carbon intensive inputs within our purchased goods and services (16% Scope 3 emissions). Mitigating embedded carbon comes from both our product and supplier strategy. Our innovation has a specific focus on improving our products in use efficiency, and we have introduced criteria to reduce component count in our product development process. Additionally, feedback from our first round supplier engagement will help inform how our suppliers are expecting to decarbonise their operations. The impacts of global grid decarbonisation are also factored into our upstream expectations. The Group is also exposed to potential carbon costs within transportation (1% Scope 3 emissions). We have reduced air freight during 2023 to 29% of shipping by weight (previously 47%). We remain committed to investigating opportunities within our logistics strategy to bring this down further, cognisant that customer service remains an important consideration.

Risk of not meeting our net zero target

The ability to deliver on our net zero target and Transition Plan is partially reliant on third parties and/or technologies yet to be developed, especially in the long term. Failure to meet the defined net zero targets may cause reputational damage, dissuade potential investors, or result in sustained cost impacts from any introduction of carbon pricing. As part of our risk analysis we have considered potential sales impacts resulting from not meeting our net zero target.

Our ability to decarbonise our operations is dependent on grid decarbonisation and renewable energy availability in the countries that XP Power operates in. Near term, the Group is purchasing renewable Energy Attribution Certificates (EACs) as an interim tool to reduce Scope 2 emissions, while we investigate measures to reduce energy consumption, improve energy efficiency and invest in onsite renewable installations. There may be uncertainties in the availability of, and/or cost of renewable energy contracts as global pressures to reach net zero increase the demand for renewable energy.

Decarbonisation of our value chain is largely dependent on product use and, to a lesser extent, transportation. Downstream product use emissions are 83% of our Scope 3 emissions, and consequently, are a key factor in our ability to reach net zero. Our ability to reduce use phase emissions is heavily reliant on grid decarbonisation in the countries where our customers operate, where we have no influence. Nonetheless, we are taking action to reduce use phase emissions through the product development process, see our Transition Plan and Sustainable Products sections (pages 30–33 and 64–66). Transportation-related emissions reductions are also reliant on global transportation and freight decarbonisation. We are also taking action to reduce emissions in this area through switching the mode of our freight, the reduction of business travel, and encouraging lower carbon commuting patterns for our employees.

The following table summarises the two key transition risks identified that may have a material impact on the Group.

Risk	Carbon price impacts in the value chain	Risk of not meeting our net zero target
Type	Transition (Policy and Legal)	Transition (Market and Reputation)
Area	Upstream/Own operations	Full value chain
Primary potential financial impact	Higher cost of inputs	Lower profit margins through increased costs and lower revenue
Time horizon	Medium-term	Long-term
Likelihood	Medium	Low
Magnitude of impact	Moderate	Major
Location or service most impacted	Transport, Purchased Goods and Services, Energy use	Group
Metric tracked	Scope 1 and 2 emissions and Upstream Scope 3	Scope 1, 2, 3 emissions

Climate-related opportunities

Solar power

The Group is pursuing solar self-generation wherever practically possible and economically viable as part of our Transition Plan. Some sites already have solar panels, and we plan to install more in due course. Solar installations will reduce reliance on local grids, reduce our emissions and carbon tax exposure and can provide operating cost savings. Scaling of global solar capacity is likely to reduce the cost of adoption and allow us to increase potential renewable generation capacity. Global solar PV capacity, under a STEPS scenario, is expected to double by 2030, rising four-fold under the NZE scenario. Implementing solar generation at our sites in Vietnam and China would have the most significant impact on the Group's energy use and Scope 2 emissions. At these sites, energy use accounts for c.77% of total energy use and draw from grids with the highest emissions intensity, thereby accounting for 87% of the Group's Scope 2 emissions. We have scoped installation of new solar panels across the entire roof at our Vietnam site, which will cover c.25% of the site's electricity needs. We are assessing this project against other Group requirements.

Purchased renewable energy

Energy Attribution Certificates (EAC's) such as Renewable Energy Certificates (REC's) allow us to reduce our market-based Scope 2 emissions without capital spend. We have secured EAC's that cover c.98% of our Scope 2 emissions for FY 23. From 2024, all of our sites will be covered by EAC's. Purchased Power Agreements (PPA's) provide better certainty of renewable supply and additionality of renewables into the grid. However, we are small electricity users, and therefore, not well placed to secure high-demand PPA supply contracts today. We assume the ability to find EAC's at our European and US sites (c.11% of the Group's Scope 2 emissions combined) in the future will be high, while we expect greater uncertainty in the availability of renewable energy at our sites in Asia in the near term.

Reduction of air freight

Shifting from air to sea freight provides both cost and emissions reductions for the Group. We have analysed both operating cost savings and the reduction of upstream transportation carbon pricing exposure through transport modal shift. While operating cost savings are more significant than carbon pricing implications, the reduced emissions from the mode shift are crucial to our strategy of reducing carbon where possible. We have assessed our supply routes to determine our transportation-related emissions and to provide a basis for managing these emissions within the net zero action plan in the future. Customer service remains imperative to our strategy, and freight model changes will only occur where we can ensure supply to customers is not impacted or where engagement with suppliers assists with lead times. We successfully reduced air freight as a proportion of total freight during FY 23 and will continue to actively look for reduction opportunities.

Innovation for lower carbon products

The full analysis of the carbon footprint of our products has enabled us to better understand impact areas and identify improvement opportunities. The Group's NPI process now includes goals to develop lower carbon products, through increasing use phase efficiency and lowering component count. Internal targets in this area will be set this year. We have also analysed the impacts of this opportunity through reduced exposure of our upstream supply chain to carbon pricing mechanisms. Product innovation and current product use cycles mean significant value chain emissions reductions from these actions will only manifest in the medium to long term. Further details can be found in the Sustainable Products section (pages 64–66).

We expect a range of market and policy factors to support the uptake of our low carbon innovation outputs and increase the rate of diffusion. For example, policy mechanisms such as increasing scope on legislation for the efficiency requirements for power conversion; the Group expects current standards to be extended to cover industrial and healthcare applications in time. Within the NZE scenario, there is expectation of widespread enforcement of minimum energy performance standards in the industry. In addition, mandatory energy management systems and energy audits are expected, which will increase customer requirements for energy efficient products. STEPS outlines no legislation, but we expect there to be investment programmes in US, UK and EU designed to support decarbonisation. Alongside legislation, general concerns over climate change should lead to an increasing emphasis on energy and carbon efficiency.

Electrification

Electrification represents a global megatrend that presents potential new opportunities for the Group within existing and new markets. It is a critical element in the transition to a zero-carbon economy as it reduces the reliance upon fossil fuel-based systems. We have assessed the potential impacts of this opportunity through increases in sales attributable to electrification. In the 2023 IEA NZE scenario, electrification plays an even more prominent role than in previous iterations. This is primarily driven by increased uptake of electric mobility and heating technologies as well as rising market confidence in newer technology. The share of electricity in total final consumption rises to 30% by 2030 under the NZE scenario, exceeding 50% by 2050. Under STEPS, electrification evolves at a slower rate reaching 30% by 2050. To capitalise on electrification opportunities, the Group monitors interest areas, such as wind turbines, 5G infrastructure and mobile network densification, which could provide new opportunities for the Group.

TCFD REPORT CONTINUED

Energy and waste savings

Actions to improve energy efficiency and reduce energy consumption will provide incremental improvements to our emissions profile at limited costs, with certain behaviour and process changes being achieved at zero cost. We have outlined various site-level efficiency projects within the Transition Plan depending on each site's requirements and opportunities, as well as having Group-wide initiatives, such as packaging reductions. These will be multi-year implementations and further details are included within our Transition Plan.

Supplier efficiencies

Our suppliers are critical to our ability to deliver our product base. We are committed to maintaining ambitious supplier standards to reduce operational risks and foster long-term partnership success. We have started the process of engaging with key suppliers to drive material and energy efficiencies, as well as collaboratively develop value-adding products. The initial results from our engagement will form the basis of future engagement. We believe in the quality of our suppliers and our alignment on decarbonisation. As such, we anticipate our suppliers to be receptive to discussions around enhancing efficiencies. A NZE scenario will likely place more regulatory and market pressure on suppliers to decarbonise. In this scenario, suppliers are likely to be more willing to engage and drive efficiencies. Further details on our supplier engagement in this area can be found in our Transition Plan.

The following table summarises the seven key climate-related opportunities that the group has identified.

Opportunity	Solar power	Purchased renewable electricity	Reduction of air freight	Innovation for lower carbon products
Type	Energy Source and Resilience	Energy Source	Transportation	Products and Services, Market
Area	Own Operations	Own Operations	Upstream and Downstream	Downstream
Primary potential financial impact	Reduced direct cost	Reduced direct costs	Reduced costs	Higher revenue
Time horizon	Short to medium-term	Short to medium-term	Short to medium-term	Long-term
Likelihood	Medium	High	Medium–high	High
Magnitude of impact	Minor	Minor	Major	Minor
Location or service most applicable	China, Vietnam	China, Vietnam	Group	Group
Metric tracked	Scope 2 emissions, % of renewable from total electricity	Scope 2 emissions, % of renewable from total electricity	Scope 3 emissions – upstream transportation and distribution	Scope 3 emissions – use of sold products, purchased goods and services

Opportunity	Electrification	Energy and waste savings	Supplier efficiencies
Type	Market	Material Efficiency	Material Efficiency, products and services
Area	Downstream	Own Operations	Upstream
Primary potential financial impact	Higher revenue	Reduced costs	Reduced costs
Time horizon	Medium to long-term	Medium-term	Medium-term
Likelihood	High	Medium-high	High
Magnitude of impact	Major	Minor	Moderate
Location or service most applicable	China, Vietnam	China, Vietnam	Group
Metric tracked	Revenue Growth Rate	Energy use, Scope 1, Scope 2 emissions (Location-based), Waste generation	Scope 3 emissions – Purchased goods and services

Metrics and targets

We report on our Scope 1, 2 and 3 emissions. Our carbon footprint is calculated using methodologies consistent with the Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard, with additional guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required. We measure all greenhouse gases as relevant and our targets cover CO_2, CH_4, N_2O and HFC's.

Our Scope 1 and 2 GHG emissions are derived from measured data sources with no estimates used.

Most of our emissions are represented by our Scope 3 emissions (99% of footprint) and within that our downstream Scope 3 emissions associated with the use phase of our products (82%). We calculated all applicable Scope 3 categories for our 2023 carbon footprint. Five categories of Scope 3 are not applicable to our business. Four categories of Scope 3 (Capital goods, Waste generated in operations, Processing of sold products and End of life treatment of sold products), are excluded from our reporting and our science-based targets as they are negligible and collectively account for under c.0.5% of our Scope 3 inventory.

For more information on our emissions, see Energy and Greenhouse Gas Emissions (pages 67–70).

Additional environmental metrics we monitor include emissions intensity, energy use, energy intensity, renewable solar energy generation, freshwater withdrawal, and waste management, as reported on pages 71–72 Environmental Leadership. In addition, we report on our annual launches of XP Green Power product families, designed for a lower-carbon economy, and the lifetime emissions savings from the use of Green Power products (in relation to standard products) sold in the year – reported on pages 64–66 Sustainable Products.

Targets

Our science-based, net zero targets will ensure that we are aligned to the UK Government's Net Zero Strategy, setting out a pathway to reaching net zero greenhouse gas emissions ahead of 2050. Our science-based targets have been approved by the Science Based Targets initiative (SBTi) in February 2024.

See XP Power Transition Plan pages 30–33 for further details on our science-based targets and Transition Plan.

In line with SBTi, our targets and Transition Plan do not include the use of carbon credits. While no such action is planned currently, we may consider using offsets as an option for additional emission reductions beyond the science-based targets.

OUR GOVERNANCE

OUR GOVERNANCE

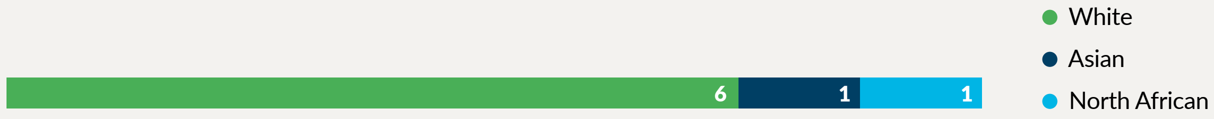
GOVERNANCE AT A GLANCE

Our Board

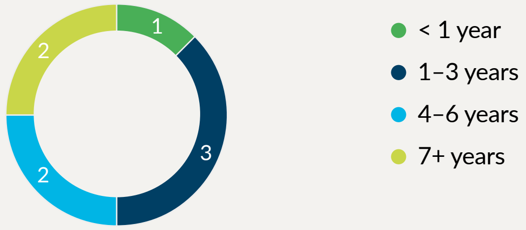
How our Board are purposed to deliver long-term sustainable value for us and our stakeholders.

Board gender profile

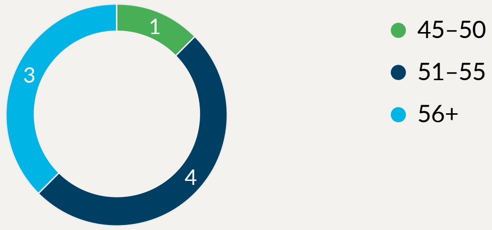
Ethnicity



Board tenure



Board age profile



Board member skills

	Gavin Griggs	Matt Webb	Andy Sng	Jamie Pike	Polly Williams	Pauline Lafferty	Sandra Breene	Amina Hamidi	Total
Power electronics	●	●	●			●		●	5
Risk management	●	●		●	●	●	●	●	7
Electronics and industrial tech	●	●	●			●		●	5
Strategic human resource management						●			1
Business development and managing growth	●	●	●	●			●	●	6
Prior public company experience	●	●		●	●	●			5
Investor relations	●	●		●	●				4
Financial	●	●			●				3
ESG and climate experience	●	●			●		●	●	5

BOARD AND COMMITTEE ATTENDANCE

During 2023, the Board met five times (excluding Committee meetings), and all Directors attended every possible meeting. In addition, meetings with management were conducted to receive operational presentations on the Vietnam manufacturing site, and Asia management team discussions around their markets, product development and projects. The Board also received externally presented updates on the global and regional economic outlook in China and Asia and on sustainability, covering macro trends, stakeholder responses, the ESG Report and implications for XP Power.

Key areas and activities covered by the Board during the year are detailed on pages 102–103.

Members	Meetings	Attendance
Jamie Pike	●●●●●	5/5
Gavin Griggs	●●●●●	5/5
Matt Webb[1]	●●	2/2
Andy Sng	●●●●●	5/5
Pauline Lafferty	●●●●●	5/5
Polly Williams	●●●●●	5/5
Sandra Breene	●●●●●	5/5
Amina Hamidi	●●●●●	5/5
James Peters[2]	●	1/1
Oskar Zahn[3]	●	1/1

[1] Appointed to the Board on 5 October 2023.

[2] Retired from the Board on 18 April 2023.

[3] Stepped down from the Board on 31 March 2023.

LETTER FROM THE CHAIR

INTRODUCTION TO GOVERNANCE

> The Board believes XP Power has a positive longer-term outlook and, with the ongoing commitment of our colleagues, we are working to ensure that the Group is positioned to realise its potential when market conditions improve.
>
> **JAMIE PIKE**
> BOARD CHAIR

I am pleased to introduce my first Governance Report as Chair for the financial year ended 31 December 2023. I would like to thank James Peters for his dedication to XP and for the smooth transition as I moved into the role of Board Chair during the year. This report details how the Group is managed and the governance, culture and framework under which XP Power operates.

The Board continue to drive high standards of governance across the Group. Our Governance Report, along with the information in the Strategic and Committee Reports, explain how we have applied the principles and provisions of the UK Corporate Governance Code 2018 (the Code) issued by the Financial Reporting Council. I am pleased to report that the Company was compliant with the Code throughout 2023, except for the independence of the Chair for part of the year, which we explain on page 109.

Market conditions and our stakeholders

In response to a challenging second half of the year, the Board and management made some difficult decisions, starting with issuing a Trading Update in October, which set the backdrop for further actions to lower net debt in the business, including renegotiating covenant terms relating to our borrowing facilities, approving cost reduction plans and enacting our authority to issue shares on a non-pre-emptive basis.

This recent activity has required the Board to carefully consider the impacts on each of its stakeholder groups, with whom we had to engage with speed and integrity. We appreciate the open conversations that we were able to have with our lenders, shareholders, customers, suppliers and especially our people, following the announcement of our Trading Update and Funding Plan. Our people have shown great commitment and resilience through supporting the needs of the business and helping implement some difficult decisions as part of our cost reduction programme.

In early November, after considering the views expressed by the Company's major shareholders, the Board made the decision to cancel the second-quarter dividend, worth approximately £3.75 million of cash spend. This was in addition to the Board's announcement that no further dividends will be paid in respect of the 2023 financial year. The importance of dividends to shareholders is recognised and the Group will recommence paying dividends as soon as appropriate.

Purpose and culture

The role of the Board is to promote the long-term sustainable success of the Company, generating value for stakeholders. To achieve this, we focus on our vision: "To be the first choice power solutions provider, delivering the ultimate experience to our customers and our people", and our purpose: "Powering the world's critical systems". In decision making, the Board considers all of its stakeholders.

We have defined our core values, which shape our culture, these are: Integrity, Knowledge, Speed, Flexibility and Customer Focus. The Board reviews our culture with the Executive Directors and are satisfied that the Company's culture and workforce policies and practices are consistent and align with its purpose, strategy and values.

Board composition and diversity

To ensure we have the right balance and composition with succession plans in place, the skills and experience of the Board were assessed throughout 2023.

After Oskar Zahn stepped down as CFO on 31 March 2023, the Board was pleased to appoint Matt Webb who joined the Company on 4 September 2023, and was appointed to the Board on 5 October 2023. Matt is an experienced CFO with a track record of bringing strategic, operational and financial improvements to global businesses. Full details of the recruitment process and our commitment to diversity, and succession and transition planning is outlined in the Nomination Committee Report on pages 110–115.

Board effectiveness

This year, the Board undertook an internal evaluation of its own performance and effectiveness, following an externally facilitated review in 2022. An explanation of the process and findings are outlined in the Nomination Committee Report on pages 114–115. The evaluation confirmed that we continue to operate as an effective Board in accordance with good corporate governance principles. My role as Chair includes promoting a culture of openness and ensuring constructive relations between Board members, and I am pleased to see this in action.

> We have proceeded with new product development to position XP Power for the future and to support our customers' needs.

Sustainability and strategy

We have maintained our focus on sustainability this year, seeing a significant reduction in Scope 2 emissions, publishing our Net Zero Transition Plan in August and obtaining approval for our near and long-term targets for Company-wide emissions reductions with the SBTi, in support of our aim to be net zero by 2040. Our Sustainability Council, led by the CEO, has kept the Board updated on activities throughout the year, as detailed in our Sustainability Report on pages 26–29.

We have proceeded with new product development to position XP Power for the future and to support our customers' needs, and put in place the infrastructure for our long-term growth by investing in the relocation of our Californian sites. To assist with the stabilisation of our funding position, our longer-term plans were reviewed, with the decision made to pause further construction at our new Malaysian site, while acknowledging that it remains part of our future production plans.

Notwithstanding short-term challenges, the Board believes XP Power has a positive longer-term outlook and, with the ongoing commitment of our colleagues, we are working to ensure that the Group is positioned to realise its potential when market conditions improve.

JAMIE PIKE
CHAIR

4 March 2024

→ READ MORE ABOUT THE BOARD OF DIRECTORS ON PAGES 96–97

→ READ MORE ABOUT ENGAGING WITH OUR STAKEHOLDERS ON PAGES 105–107

BOARD OF DIRECTORS

Jamie Pike

Chair

Appointment date:

1 March 2022

Executive/Non-Executive:

Non-Executive

Committee membership:

Nomination (Chair), Remuneration

Skills and experience:

- Jamie spent nine years with Burmah Castrol, becoming chief executive of Burmah Castrol Chemicals, before leading the buy-out of Foseco in 2001 and its subsequent IPO in 2005. Prior to that, he was a partner at Bain & Company.
- Jamie has held the role of Chair at several public companies.
- He holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers.

External appointments:

Jamie is currently chair of the board at Spirax-Sarco Engineering plc.

Gavin Griggs

Chief Executive Officer

Appointment date:

31 October 2017 as CFO.

Appointed CEO from 1 January 2021

Executive/Non-Executive:

Executive

Committee membership:

None

Skills and experience:

- Gavin is a CIMA-qualified accountant who has worked in a range of acquisitive, growth-focused businesses with an international footprint in several industries.
- Held senior finance and strategy roles at Logica, Sodexo, PepsiCo and SABMiller.
- Served as CFO of Alternative Networks plc, a listed information technology provider, prior to its acquisition by Daisy in December 2016, when he became group finance director for the Daisy Group.

External appointments:

None.

Matt Webb

Chief Financial Officer

Appointment date:

5 October 2023

Executive/Non-Executive:

Executive

Committee membership:

None

Skills and experience:

- Matt is a chartered accountant and holds a degree in Engineering from Oxford University.
- He has a broad strategic and operational skillset, with over 25 years' experience within international businesses at group and divisional level.
- Held strategic and financial roles at BPB plc, Saint-Gobain and Ferguson plc, including finance director for Ferguson's largest US division. He served as CFO at Luceco plc a FTSE Main Market designer and manufacturer of LED lighting, EV charging equipment and electrical wiring devices, from February 2018 until April 2023.

External appointments:

None.

Andy Sng

Executive Vice President, Asia

Appointment date:

24 April 2007

Executive/Non-Executive:

Executive

Committee membership:

None

Skills and experience:

- Andy has over 22 years' experience in the power converter industry.
- He graduated from Nanyang Technological University with a degree in Electrical and Electronic Engineering, and an MBA from Manchester Business School.
- Prior to joining the Group, Andy held technical and commercial roles with Silicon Systems (Singapore) and Advanced Micro Devices (Singapore).

External appointments:

None.

Board changes during 2023

- James Peters retired from the Board on 18 April 2023 and Jamie Pike was appointed Chair.
- Oskar Zahn stepped down as CFO on 31 March 2023.
- Matt Webb was appointed CFO on 4 September 2023 and became a Board member on 5 October 2023.

Polly Williams

Senior Independent Director

Appointment date:

1 January 2016

Executive/Non-Executive:

Non-Executive

Committee membership:

Audit (Chair), Nomination, Remuneration, Board representative for ESG

Skills and experience:

- Polly is a chartered accountant and a former partner at KPMG LLP. She resigned from her partnership in 2003 and has since held several non-executive directorship roles.
- She formerly acted as non-executive director for Jupiter Fund Management plc between 2015 to 2022.

External appointments:

Polly is currently a non-executive director at Royal Bank of Canada Europe Ltd, senior independent director and audit committee chair at The Rugby Football Union and chair of the board for RBC Brewin Dolphin Limited.

Pauline Lafferty

Independent Non-Executive Director

Appointment date:

3 December 2019

Executive/Non-Executive:

Non-Executive

Committee membership:

Remuneration (Chair), Audit, Nomination, designated NED for employee engagement

Skills and experience:

- Pauline was formerly chief people officer at The Weir Group plc, a position she held between 2011 and 2017.
- Between 1998 to 2011, she worked in executive search for The Miles Partnership and Russell Reynolds Associates. Prior to that, she worked in supply chain roles for Digital Equipment Corporation and Motorola.
- Pauline previously acted as chair of the remuneration committee at Scottish Event Campus Limited.

External appointments:

Pauline is currently a non-executive director and remuneration committee chair at Breedon Group plc.

Sandra Breene

Independent Non-Executive Director

Appointment date:

11 October 2022

Executive/Non-Executive:

Non-Executive

Committee membership:

Audit, Nomination

Skills and experience:

- Sandra is currently president of consumer care at Croda.
- Prior to this, she spent three years as president of regional delivery and four years as president of the personal care division and president of Croda in North America. Sandra has over 30 years' experience working across Croda's market sectors in a variety of commercial roles, giving her an extensive understanding of customer needs.
- Sandra took an instrumental role on numerous acquisitions conducted by Croda, and spent five years living and working in Asia, providing her with valuable insight into emerging markets and cultural differences.

External appointments:

Sandra is currently a trustee director at Edukos Education Trust.

Amina Hamidi

Independent Non-Executive Director

Appointment date:

11 October 2022

Executive/Non-Executive:

Non-Executive

Committee membership:

Remuneration, Nomination

Skills and experience:

- Amina is currently managing director of the ABB Instrumentation Business Line, within the measurement and analytics division. Her focus is on working with customers to achieve more sustainable industries.
- Prior to this, Amina served as managing director of ABB's global power protection business from 2013 to 2017, and as CTO for ABB's electrification business from 2017 to 2022.
- Amina has a Ph.D. in electrical engineering from the French National Research Institute for Transportation Systems (INRETS), a bachelor's degree in mechanical engineering and a master's degree in electrical engineering from INPL, France.

External appointments:

None.

CORPORATE GOVERNANCE REPORT

Our approach to governance

01

BOARD LEADERSHIP AND COMPANY PURPOSE

A Effective Board (pages 96–97)

B Purposes, values and culture (page 104)

C Governance framework and Board resources (pages 99–101)

D Stakeholder engagement (pages 105–107)

E Workforce policies and practices (page 105)

02

DIVISION OF RESPONSIBILITIES

F Board roles (page 108)

G Independence (page 109)

H External commitments and conflicts of interest (pages 92 and 96–97)

I Key activities of the Board in 2023 (pages 102–103)

03

COMPOSITION, SUCCESSION AND EVALUATION

J Appointments to the Board (page 113)

K Board skills, experience and knowledge (pages 92 and 96–97)

L Annual Board evaluation (pages 114–115)

04

AUDIT, RISK AND INTERNAL CONTROL

M Financial reporting (pages 118–120); External Auditor and Internal Audit (pages 120–121)

N Review of the 2023 Annual Report (pages 118–121)

O Internal financial controls (page 120)

05

REMUNERATION

P Linking remuneration with purpose and strategy (pages 122–123)

Q Remuneration Policy (pages 137–144)

R Performance outcomes in 2023 and strategic targets (pages 128–129)

Corporate Governance Statement 2023

The Board of Directors' primary remit is to provide direction to shape the Group's strategy and ensure this is being effectively executed within a structure that is well controlled, mitigates risk and is compliant with corporate and social responsibility. Good corporate governance emanates from the top, which is why the Board gives continued prominence to this area.

XP Power Limited was incorporated and is domiciled in Singapore; under the Singapore Companies Act 1967 (the Act). We are not required to follow the Singapore Code of Corporate Governance. The Company is listed on the London Stock Exchange and reports against the application of the principles of corporate governance contained in the UK Corporate Governance Code 2018 (the Code).

We have clearly laid out how the principles of the Code have been applied under the areas of:

1. Board leadership and Company purpose;
2. Division of responsibilities;
3. Composition, succession and evaluation;
4. Audit, risk and internal control; and
5. Remuneration.

JAMIE PIKE
CHAIR

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

4 March 2024

The Board ensures the long-term success of the Company through responsible governance, strategy implementation and oversight of operations.

Developing a first-class culture

The Board is committed to ensuring the Company's culture is aligned and supportive of our purpose, vision and strategy, to help foster long-term shareholder value. It is on the Board's agenda to ensure there is a deep understanding across the business, so they can reinforce its importance and values.

→ SEE PAGE 104 FOR HOW THE BOARD MONITORS CULTURE

Engaging with our stakeholders to ensure we focus on the most material issues to both us and them

The Board is committed to an open, two-way dialogue with all stakeholders to ensure priorities and key issues are addressed.

→ SEE PAGES 105–107 FOR MORE ABOUT OUR STAKEHOLDER ENGAGEMENT

Our Board in action

The Group's response to the impact from the cyclical nature of the semiconductor market, increased borrowing, continued impact of critical component shortages and inflationary pressures on our supply chain demonstrates flexibility and resilience as important cultural characteristics at XP Power.

→ SEE PAGE 106 FOR MORE EXAMPLES OF OUR BOARD IN ACTION

→ SEE PAGES 106–107 FOR HOW WE ADDRESS SIGNIFICANT RISK MATTERS

Board changes: our new Chair and CFO

Jamie Pike became Chair at the AGM on 18 April 2023. Matt Webb joined the Company on 4 September 2023 as our CFO and became an Executive Director on 5 October 2023.

→ SEE PAGES 113–114 FOR MORE ON THE RECRUITMENT AND INDUCTION PROCESS

CORPORATE GOVERNANCE REPORT CONTINUED

Board and Committee information flow

Stage 01

Chair agrees the agenda with the Board

The Chair consults with the CEO and, with support of the Company Secretary, an agenda is proposed that considers an agreed annual schedule of Board items, with feedback from the Non-Executive Directors.

Stage 02

Materials are circulated before meetings

Board papers are distributed via a secure portal, with clearly identified actions requested for the agenda item, as necessary

Stage 03

Board and Committee meetings

Board and Committee meetings are arranged to occur at appropriate times to support decisions that need to be made throughout the year.

Stage 04

Minutes of meetings

Minutes of each meeting are prepared and circulated to attendees.

Stage 05

Action lists

Action lists are monitored and updated to follow key actions to timely completion.

Stage 06

Non-formal meetings

Where appropriate, informal discussions take place, with updates and progress reports circulated between meetings.

Leadership structure

The Board of Directors

CHAIR

Manages and provides leadership to the Board

SENIOR INDEPENDENT DIRECTOR

Supports the Chair in their role and acts as an intermediary between other Directors

NON-EXECUTIVE DIRECTORS

Challenge and support the Executive Directors, and acts in the best interests of the Company's stakeholders

DESIGNATED NON-EXECUTIVE DIRECTOR

Ensures the views and concerns of the workforce are brought to the Board and are considered during discussions and decision making

AUDIT COMMITTEE

CHAIR: POLLY WILLIAMS

Provides oversight of the financial reporting, audit process, Company's system of internal controls and compliance with laws and regulations

REMUNERATION COMMITTEE

CHAIR: PAULINE LAFFERTY

Sets the Remuneration Policy for the Executive Directors and Executive Leadership team

NOMINATION COMMITTEE

CHAIR: JAMIE PIKE

Reviews and considers the appointment of new Directors, and succession planning for the Board and Executive Leadership team

CHIEF EXECUTIVE OFFICER

Manages the overall operations and resources of the Company in accordance with the Board-approved strategy

EXECUTIVE DIRECTORS

Design, develop and implement strategic plans and provides leadership to the organisation

CORPORATE GOVERNANCE REPORT CONTINUED

Board activities in 2023

	Key activities and discussions	Outcomes	Future priorities	Stakeholders considered
Stakeholder engagement	• Reviewed results of employee and stakeholder surveys, and shareholder feedback • Considered European distribution options • Communicated and appropriately engaged with stakeholders around the Funding Plan • Board visits to Singapore and Vietnam sites	• Encouraged employee engagement to be developed with the right supporting resource available • Launched a strategic distribution partnership with Avnet Abacus to improve value and satisfaction for customers • Gained support from stakeholders on executing activities under the Funding Plan	• Review the results of 2024 employee engagement survey, any resulting actions and progress • Review the results of stakeholder surveys and any resulting actions • Continue to consult with shareholders on remuneration matters	People Customers Investors Suppliers Communities
Strategy and operations	• Reviewed business performance and strategic priorities at each Board meeting • Monitored the development of improvements to our Group-wide health and safety strategy	• Updated the market on our Funding Plan and internal decisions to defer the Malaysian build • Rolled out an improved dashboard for health and safety reporting and activity understanding	• Continue to monitor the progress against strategic priorities at each Board meeting • Further strategy reviews with senior managers below Board level	People Customers Investors Suppliers The environment
Board and Committee matters	• Transitioned the position of Chair of the Board • Reviewed the composition of Board Committees • Recruited the new CFO • Retendered for the external audit	• Appointed Jamie Pike as Chair in April 2023 • Updated the membership of Committees • Appointed Matt Webb as CFO in September 2023 • Reappointed PwC as Auditor	• Succession planning for the SID role • Talent management • Board development	People Customers Investors Suppliers
Financial and risk management	• Supported supply, inventory and cost management following a change in trading conditions and rise in borrowing leverage • Cancelled the dividend • Managed cash and liquidity during slower market conditions • Oversaw the approach to cybersecurity	• Amended our Funding Plan to include placing of new ordinary shares, raising gross proceeds of £45.4 million, cost reduction measures and a pause to the payment of dividends • Delivered training sessions across the Group to improve security awareness	• Continue with management actions under the Funding Plan to reduce borrowing to target levels • Resume dividend payments as soon as appropriate	People Customers Investors Suppliers
Customers	• Monitored actions taken to support the delivery of supply chain strategy • Diversified the geographical supply chain to strengthen resilience	• Improved communication with customers and a reduction in lead time for our products • Moved two key US facilities, located close to our customers, to support future growth • Continued to transfer production from North America to Asia to support future growth	• Plan to maintain flexibility to effectively support demand from an upturn in the semiconductor market • Seek growth and product development opportunities	People Customers Investors Suppliers Communities
Sustainability	• Monitored sustainability strategy, including finalising SBTi-based targets • Ensured the health, safety and wellbeing of our people • Engaged with stakeholders to understand their sustainability issues to enhance our strategy	• Obtained approval for our emission reduction targets from the SBTi to support our sustainability strategy • Delivered a significant reduction in Scope 2 Greenhouse Gas emissions • Offered employees the opportunity to attend wellbeing and resilience workshops • Launched a new supplier survey, which covers a range of ESG topics, to develop a baseline understanding of suppliers' sustainability maturity	• Maintain the safety and wellbeing of our people • Develop our sustainability strategy across our supply chain	People Customers Investors Suppliers Communities The environment

Key:
- People
- Customers
- Investors
- Suppliers
- Communities
- The environment

CORPORATE GOVERNANCE REPORT CONTINUED

Health and safety

The Board is committed to providing a safe working environment for all employees, contractors and partners across the Group. The CEO reviews health and safety reports from the Group, and the Board receives a structured update, including statistics on any health and safety issues, education and training activities and an update on the global agenda for health and safety matters. In between Board meetings, an update on health and safety is included as part of the CEO's Monthly Report to the Board.

The duties of the local Health and Safety Committees – who report to the CEO – include reviewing the Health and Safety Policy, compliance with applicable legislation, monitoring health and safety statistics including incident rates and near misses, health and safety audit findings and the alignment of health and safety standards across the Group.

Developing a first-class culture

The Board is responsible for setting the tone for the culture of the Company, upheld by its values of Integrity, Knowledge, Speed, Flexibility and Customer Focus. Its role is to influence and monitor the culture to ensure we are emulating desired beliefs and behaviours inside and outside of the boardroom. The Board continues to help influence the right culture throughout the Company, as set out below.

Action	Description
Review results and updates from employee engagement surveys	The Board has continued to review the results of cultural and engagement surveys. Trends in employee satisfaction were monitored throughout the business to understand how the Company's core values have been embraced.
Engagement survey	Gallup engagement surveys have continued to inform the Board on employee engagement. Engagement surveys will continue to be used to assess our employees' views.
Code of Conduct training	Our Code of Conduct has had its annual review. Code of Conduct training is required by all employees to ensure governance is understood as well as our core values reinforced.
Senior leadership communication	The Executive Leadership team held regular global updates, which covered strategy and upcoming priorities. Attendees then cascaded the key themes from these sessions to their teams.
Sustainability impact assessment	The Sustainability Working Group includes representatives from all regions and key business functions. As a forum, its role is to identify and monitor areas for focus across our sustainability agenda as we drive towards our goal of net zero carbon by 2040.

Cultural alignment

To ensure our culture is monitored and aligned to our purpose, values and strategy, the Board reviews all employee surveys, receives updates and presentations from leadership, and seeks to have direct engagement with a broad range of employees. The Company operates a whistleblowing hotline enabling employees to raise any concerns. Any potential misalignments to our desired culture are explored to understand how to address these.

During the year, the Board visited factory and office locations in Vietnam and Singapore. The visits allowed the Board to have more informal discussions with key employees, receive updates from management teams and see the business in operation.

> During the Board's visit to Vietnam and Singapore in 2023, I had the opportunity to have face-to-face interactions with a diverse cross-section of our workforce from different roles.
>
> **PAULINE LAFFERTY**
> DESIGNATED NON-EXECUTIVE DIRECTOR
> FOR WORKFORCE ENGAGEMENT

How we ensured employees' voices were heard by the Board in 2023

During the Board's visit to Vietnam and Singapore in 2023, I had the opportunity to have face-to-face interactions with a diverse cross-section of our workforce from different roles. The relaxed environment, which was created by a buffet-style dinner with the Singapore office team, encouraged an open exchange and provided them the opportunity to share their views and ask any questions they have, including on topics such as executive remuneration and the wider pay policy. I am grateful for our employees' continued open engagement.

The output and observations from these visits, along with submissions from the anonymous employee surveys, internal communications and building the foundations of performance culture were discussed at subsequent Board meetings.

How we uphold culture across our workforce and encourage engagement

We have several processes to ensure the views of employees are solicited and monitored. Employees complete the Gallup Q12 survey annually. This is benchmarked against a broad range of other companies to ensure our culture and engagement are supportive of our strategy and growth ambitions. For areas of the organisation where variable employee engagement has been identified, part of our strategy is to facilitate learning from our most engaged teams and their line managers, alongside coaching those at the mid–lower end, through storytelling and case studies. We will also specifically introduce one personal objective on people management in 2024 for employees in senior leadership roles.

To facilitate engagement, a quarterly newsletter was launched in January 2023 with the aim to spread internal news across the Group. The newsletter is available in English, German, Chinese and Vietnamese, and readership has steadily increased throughout the year. Calls with our Senior Leadership team help build direct communication, especially following our Funding Plan announcement in November, which required the support of our teams to assist with identifying focus areas to support the cost reduction programme.

3.99/5

Employee engagement score last year*

(2022: 3.83)

* result does not include employees located in Vietnam and China.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD

AUDIT COMMITTEE

ENGAGEMENT WITH THE WORKFORCE –
Designated Non-Executive Director, Pauline Lafferty

LIVE COMMUNICATION MEETINGS

SPECIFIC ANONYMOUS
EMPLOYEE SURVEYS

CONFIDENTIAL, INDEPENDENT WHISTLEBLOWING HOTLINE

Our Board in action:

Leveraging strategic partnerships

As part of our supply chain strategy, we entered into a strategic distribution partnership agreement with Avnet Abacus, a leading European interconnect, passive, electro-mechanical and power distributor. Under the agreement, Avnet Abacus will distribute XP Power's products in EMEA markets and offer in-depth technical, supply chain and logistical support to customers. The aim of joining forces is to streamline and enhance the availability of our products to a wider audience of design engineers and manufacturers. Avnet Abacus's extensive distribution network and deep understanding of EMEA markets, coupled with its technical proficiency and exceptional customer support, will drive increased value and satisfaction for our customers.

Positioning our US business for the future

Our US business, serving the North American market, is the largest and most profitable part of the XP Group. It drives continued business development with design centres and an engineering solutions group. In planning for the lease expiry of two key facilities, and to support future strategic growth, we secured and made significant investment in two new facilities. These will support the business with the infrastructure to deliver against future opportunities.

Risk management and internal control

The Board is responsible for the Company's overall approach to risk management. It has an ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Group, which is set out in the Managing Our Risks section on pages 52–59. The risk management framework and processes have been in place throughout the year, with the framework ensuring that risk management is embedded in the day-to-day operations of the business. The need to take action in the second half of the year to improve the Group's funding position was a reminder to have appropriate focus on downside scenario modelling during uncertain market conditions.

One of our key control procedures is the day-to-day supervision of the business, performed by the Executive Directors, who are supported by managers within the Group companies. Examples of key controls for ongoing processes include:

- using authority matrices to clearly define who can authorise particular transactions, transfer funds, commit Company resources and enter into particular agreements;
- monthly reporting of management accounts and key metrics to senior management, with performance measured to budget and material variances reported to the Board;
- quality control checks throughout our manufacturing process, burn-in, electrical testing to detect early failures, 100% functional testing and quality inspection;
- disaster recovery and business continuity plans are in place at all key facilities, which are documented and communicated to key personnel to deal with unexpected events; and
- an internal audit and risk assurance programme is in operation.

Details of the internal controls of the Company and how the Board and the Audit Committee assess the operational effectiveness of internal controls and risk management systems during the year and up to the date of approval of the Annual Report and Accounts, are set out as part of the Audit Committee Report on page 120. During the year, no significant internal control issues were identified.

Shareholder communication

The Company enables effective engagement with, and encourages participation from shareholders and stakeholders in several ways. For institutional and private investors, the Group engages in two-way communication, responding quickly to all queries. The Group uses its website (corporate.xppower.com) to give private investors access to the same information that institutional investors receive, including investor presentations and video interviews with the CEO and CFO on the morning of the publishing of the interim and annual results. The Company has information on its website, which covers products, markets, strategy, business model, growth drivers and its investment proposition.

Interested parties can register for the Group's email alert service on this website to receive timely announcements and other published information from time to time.

The Chair and Senior Independent Director make themselves available to meet shareholders as required, to understand their views on governance and business performance. Board members receive feedback from our brokers and financial PR company following meetings with shareholders, to stay connected with their opinions.

The Remuneration Committee Chair consults with major shareholders regarding significant decisions on Executive remuneration, including any proposals to update the Directors' Remuneration Policy, which was last approved by shareholders at the April 2023 AGM.

Constructive use of the AGM

Certain Directors are available at the Annual General Meeting (the AGM) to answer any questions from shareholders. However, given that we have a Singaporean parent company, we recognise it is not generally convenient for our UK-based investors to attend this meeting.

Our CEO and CFO are available throughout the year to answer questions from shareholders.

Substantial shareholders

We have safeguards to monitor transactions between major shareholders of the Company, including reviewing our major shareholders' holdings on a quarterly basis and monitoring any regulatory notifications of the acquisition or disposal of major shareholders.

As at 31 December 2023, the Company had been notified, pursuant to DTR5, of the following interests in voting rights, attached to ordinary shares and financial instruments relating to the share capital of the Company:

	Number of voting rights	% of voting rights
Montanaro Investment Managers	1,207,299	6.12
Kempen Capital Management	1,190,000	6.03
Odyssean Investment Trust PLC	1,050,000	5.32
Amerprise Financial	1,038,846	5.26
Janus Henderson Group plc	989,741	5.02

The following changes in the interests disclosed to the Company have been notified between 31 December 2023 and 1 March 2024:

- On 1 February 2024, BlackRock, Inc. disclosed that their percentage interest in the ordinary share capital of the Company had increased to 5.11% (1,214,851 voting rights).

Division of responsibilities

The Chair leads the Board and should demonstrate objective judgement throughout their tenure, promoting a culture of openness and debate to ensure all views are heard and considered. In addition, the Chair facilitates constructive Board relations including an appropriate level of challenge and the effective contribution of all Non-Executive Directors. The CEO and CFO ensure that Directors receive accurate, timely and clear information to discharge their duties.

The roles of Chair, Senior Independent Director and CEO are formalised, with a clear division of responsibility between their roles. The Chair is responsible for the management of the Board and its overall effectiveness in directing the Company. The Senior Independent Director is responsible for providing support for the role of Chair and leading the succession process for the Chair's appointment. The CEO is responsible for the day-to-day running of the Company and execution of our strategy.

CORPORATE GOVERNANCE REPORT CONTINUED

To ensure the Board is effective, we review and monitor the skillset of Directors. We also ensure there is a clear division of responsibilities, as set out below.

	RESPONSIBILITIES OF THE BOARD
Chair	The Chair sets the calendar and agenda of the Board and facilitates these discussions. The Chair also initiates and co-ordinates the processes defined below, which evaluate the effectiveness of the Board and of individual Directors. **How our Chair promotes a culture of openness** The Chair conducts Board meetings so that the views of all Board members are sought and welcomed. Open discussion is encouraged. An evaluation of Board effectiveness is conducted each year. The 2023 review was supported by a third party using anonymous online questionnaires, following the full independent evaluation that was conducted in 2022.
Executive Directors	Other than their normal attendance and participation in discussions at Board meetings, the Executive Directors are responsible for the day-to-day running of the Company and the implementation of the agreed strategy.
Senior Independent Director (SID)	The Senior Independent Director supports the Chair in their role. The SID leads the Non-Executive Directors in the annual evaluation of the Chair, and is also available to shareholders if they have concerns that contact through the Chair, CEO or CFO has failed to resolve. Polly Williams is the Senior Independent Director.
Non-Executive Directors	Other than their normal attendance and participation in discussions at Board meetings, the Non-Executive Directors actively participate in the review and determination of the Company's strategy.
Designated Non-Executive Director	The designated Non-Executive Director is responsible for engaging with the workforce and ensuring that their views and interests are considered in Board discussions and decision making. Pauline Lafferty is the designated Non-Executive Director for employee engagement. Polly Williams is the Board representative for ESG matters.

Matters reserved for the Board

These matters are specifically reserved for the Board's decision:

- Opinion on the Group's viability and going concern.
- Approval of strategic plans, financial plans and budgets, and any material changes to them.
- Oversight of the Group's operations, ensuring competent and prudent management, sound planning, an adequate system of internal control, and adequate accounting and other records.
- Changes to the structure, size and composition of the Board.
- Consideration of the independence of Non-Executive Directors.
- Review of management structure and senior management responsibilities.
- With the assistance of the Remuneration Committee, approval of remuneration policies across the Group.
- Final approval of interim and annual financial statements and accounting policies.
- Approval of the dividend policy.
- Approval of the acquisition or disposal of subsidiaries and major investments and capital projects.
- Delegation of the Board's powers and authorities, including the division of responsibilities between the Chair, CEO and other Executive Directors.

Conflicts of interest and time commitment

The Board considers its Directors' interests and any conflicts that these may present at every Board and Committee meeting.

It is important that Non-Executive Directors have sufficient time to meet their Board responsibilities. The Non-Executive Directors provided constructive challenge, strategic guidance, specialist advice and held management to account during 2023.

No Directors had any significant changes to their outside commitments during 2023, and each devoted significant time to their XP Power Board responsibilities during the year.

All Directors attended all Board meetings during the year.

Following the Chair's evaluation of each Director, the Board is satisfied that all Directors remain committed to the Company and have devoted the appropriate amount of time and effort to their role.

Change in Directors' responsibilities

Jamie Pike joined the Board as Non-Executive Director and designate Chair on 1 March 2022. He became Chair at the AGM on 18 April 2023 as part of the planned succession following the retirement of James Peters.

Matt Webb was appointed CFO on 4 September 2023 and became an Executive Director on 5 October 2023. Oskar Zahn, the previous CFO, stepped down from the Board on 31 March 2023.

Further to these changes, Amina Hamidi was appointed to the Remuneration and Nomination Committees in May 2023, and Sandra Breene was appointed to the Nomination Committee at the same time.

Board independence

The Board consists of five Non-Executive Directors, including the Chair, and three Executive Directors. All Non-Executive Directors are considered to be 100% independent. There is a clear division of responsibilities between the Executive and Non-Executive Directors.

The previous Chair, James Peters, was not considered independent, based on provision 10 of the Code. However, the Board's view was that his material shareholding in the Company, while he was Chair, aligned his interests closely with shareholders as a whole. This, combined with his knowledge of the business and industry, and the governance of clear divisions of responsibilities between the Chair and CEO, led the Board to be comfortable with the position. James retired from the Board at the conclusion of the 2023 AGM in April and was succeeded by Jamie Pike, who is considered to be independent based on provision 10 of the Code.

Details of the beneficially owned ordinary shares in the Company held by the Non-Executive Directors are detailed in the Remuneration Committee Report on page 131.

Anti-takeover measures

As a policy, we do not have any devices that would limit the ability to perform a takeover of XP Power. This includes devices that would limit share ownership and/or issue new capital for the purpose of limiting or stopping a takeover.

Voting

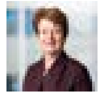
Our capital structure is such that one vote is afforded per ordinary share.

NOMINATION COMMITTEE REPORT

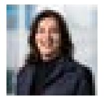
> We continue to review the Board and senior management's strength and depth of talent.
>
> **JAMIE PIKE**
> NOMINATION COMMITTEE CHAIR

COMMITTEE MEMBERSHIP

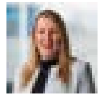
Jamie Pike
Chair



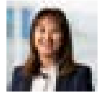
Polly Williams



Pauline Lafferty



Sandra Breene[1]



Amina Hamidi[1]

[1] From 18 May 2023.

Dear shareholder,

I am pleased to present my first Nomination Committee Report as Chair for 2023, which I commenced at the conclusion of the April AGM, as part of the planned succession following James Peters' retirement. The first notable, Committee-led activity this year was a CFO search, as Oskar Zahn stepped down from the role in March. Matt Webb joined the Company as CFO on 4 September 2023, following a rigorous executive search process, being appointed to the Board on 5 October 2023.

In May, in line with the Code, the Committee led a full review of the composition of the Board's Committees considering Board members' skills and expertise. This review resulted in Amina Hamidi's appointment to the Nomination and Remuneration Committees, and Sandra Breene, already an Audit Committee member, being appointed to the Nomination Committee.

Board Diversity and Inclusion Policy targets were also considered during the year, ensuring we maintain the new Listing Rules requirements pertaining to diversity. We are pleased to have 50% female Board representation. The Committee received a Group diversity and inclusion activity update and are delighted that a Women in Engineering employee resource group has been created. The group aims, through mentorship, to embrace workforce diversity and inclusivity and help women at XP Power realise their full potential as career engineers.

Board succession discussions are ongoing to ensure proactive management going forward. The Committee reviewed senior management succession plans throughout 2023, including immediate and emergency cover for business-critical roles. Our 2024 focus will be planning a smooth succession for the Audit Chair and Senior Independent Director roles, currently fulfilled by Polly Williams, ensuring we consider independence among our Non-Executive Directors, given she has achieved eight years as an XP Power Non-Executive Director.

We continue to review the Board and senior management's strength and depth of talent, ensuring we recruit, retain, and develop relevant business strategy support capabilities.

JAMIE PIKE
NOMINATION COMMITTEE CHAIR

4 March 2024

Governance

The Nomination Committee consists of Jamie Pike (Chair), Pauline Lafferty, Polly Williams, Sandra Breene and Amina Hamidi, 100% of the Committee are independent Non-Executive Directors. James Peters retired as Committee Chair at the conclusion of the last AGM.

Where appropriate, the CEO will attend meetings (on request) to present to, or consult for, the Committee.

The Committee assesses new Director appointments, and all Non-Executive Directors are involved in the appointment of proposed candidates. New Director appointments are voted on by the whole Board.

The Committee met formally three times during the year:

Members	Attendance
Jamie Pike (Chair)	3/3
Pauline Lafferty	3/3
Polly Williams	3/3
James Peters*	1/1
Amina Hamidi**	1/1
Sandra Breene**	1/1

* James Peters retired as Committee Chair on 18 April 2023, and was replaced by Jamie Pike, who was already a Committee member.

** Amina Hamidi and Sandra Breene were appointed to the Committee on 18 May 2023.

Responsibilities

The Committee's main responsibilities are to:

- review the Board's structure, size and composition including skills, knowledge, capabilities, experience, and diversity;
- review Director, and other senior executives, succession planning considering future skills and expertise needed on the Board;
- be responsible for identifying and nominating candidates to fill Board vacancies;
- review the organisation's leadership needs, both Executive and Non-Executive, to ensure the organisation's ability to effectively compete in the marketplace; and
- review the Board performance evaluation process results that relate to Board composition and succession planning.

The Nomination Committee's Terms of Reference are available on the Company's website at corporate.xppower.com.

Committee evaluation

As with other Board Committees, we performed a third-party anonymous online evaluation survey to gain feedback on the Committee's effectiveness. The results were positive, indicating effective Committee operation, with no significant issues identified.

Board diversity

The Committee considers Board and Company diversity and inclusion to not only be the right thing to do; but is crucial to growing our business, innovating, attracting, and retaining talent, and engaging customers. We operate globally and recognise cultural differences may exist in countries we operate in. We acknowledge that a diverse workforce reflects our markets, helping us to succeed in them. We will not tolerate any form of discrimination at XP Power.

We are committed to equal opportunities in all employment practices, procedures, and policies. When hiring and promoting, we choose the best candidate irrespective of age, disability, gender reassignment, marriage and civil partnership, maternity, pregnancy, race, country of origin, nationality, ethnicity, cultural background, religion or belief, sex or sexual orientation, or membership/non-membership of any trade unions. We apply the same standards when selecting business partners and appointments to the Board and its Committees.

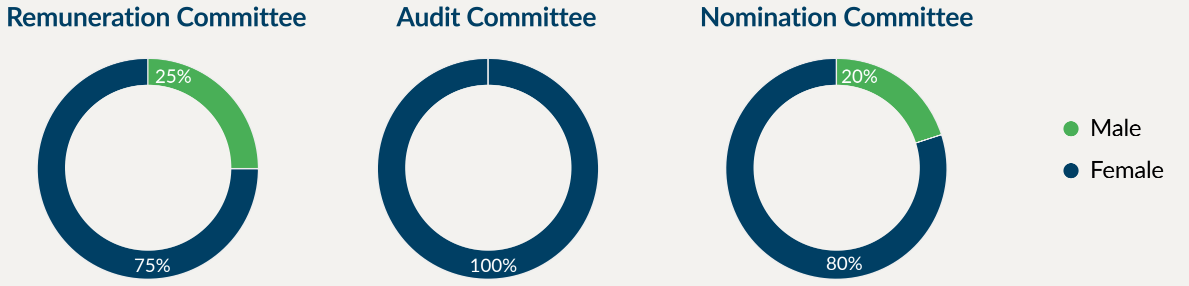
Our Board Diversity and Inclusion Policy was reviewed during the year and measurable objectives, which maintain the Listing Rules diversity guidance, were monitored. Our Policy also reflects our commitment to use open advertising or work with external executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms, to ensure balanced shortlists are reached.

NOMINATION COMMITTEE REPORT CONTINUED

The Committee is pleased to report that the Board currently comprises eight members: four are women (50%) and two are ethnically diverse. The spread of nationalities is six British, one Singaporean and one French and Algerian.

Our Senior Independent Director is also female. At the end of the year, the Board was fully compliant with the Listing Rules diversity guidance.

On the Board Committees, female representation is:



XP Power, as an international business, understands and meets the aspiration for a diverse leadership group. Full details of gender and ethnic representation as prescribed by Listing Rule 9.8.6 are set out in the following tables. The Board and the Executive Leadership team members completed a diversity disclosure to confirm which of the categories in the following table they identify with.

Gender representation as at 31 December 2023

	Number of Board members	% of the Board	Number of senior Board positions (CEO, CFO, SID, Chair)	Number in Executive management*	% of Executive management
Men	4	50%	3	8	73%
Women	4	50%	1	3	27%
Not specified/prefer not to say	–	–	–	–	–

Ethnic representation as at 31 December 2023

	Number of Board members	% of the Board	Number of senior Board positions (CEO, CFO, SID, Chair)	Number in Executive management*	% of Executive management
White British or other White (including minority-white groups)	6	75%	4	9	82%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	13%	–	2	18%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	13%	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* The Executive Members of the Board are included in both the Board and Executive management figures.

Our Board and Company Diversity and Inclusion policies are available on our website at corporate.xppower.com.

Board skills, experience, and composition

We are committed to having the right blend of skills, expertise, commitment, and experience when selecting suitable candidates.

The Board's size, structure, and composition is regularly reviewed to ensure its effectiveness at executing our strategy. Updating Board composition, with the new CFO appointment, provided the opportunity to target, and benefit from, additional skills, expertise, and experience.

The Committee assess the Board's collective skillset using a matrix, which includes relevant skills held by our Directors. Regular reviews of this matrix help to identify gaps, which can be addressed through future appointments or additional Board education and updates. Skills include industry-specific, as well as non-specific industry skills, such as strategic human resource management, business development, and ESG and climate experience.

We consider the Board's structure and balance of skills and diversity to be appropriate, demonstrated in the charts and matrix on page 92. Individual Director skills and experience are set out in their biography on pages 96–97.

Appointments to the Board and Director re-election

Each relevant Director offers themselves for re-election each year. A simple AGM majority vote is required for Director re-election. Matt Webb (CFO, appointed 5 October 2023) will offer himself for re-election at the forthcoming AGM.

Board development in 2023

During 2023, the Board visited its Vietnamese manufacturing and distribution site, receiving a site tour and presentations from the management teams. The Board then went on to visit the office and warehouse in Singapore, where they met with, and received updates from, the management team.

Members from the Executive Leadership team presented to the Board around new product development and strategy.

Development talks by outside parties formed part of the Board's continuing development, on the regional economic outlook of China, ASEAN-6, and India against the current global backdrop and on sustainability, including macro trends, stakeholder responses, ESG reporting updates and implications.

Appointing our new Chief Financial Officer

Overview of candidate specification and search criteria

The Committee engaged executive search firm Odgers Berndtson, to lead the new Chief Financial Officer search following Oskar Zahn's resignation in March 2023. Odgers Berndtson are independent of, and have no other connection with, the Company and its Directors. A candidate specification was developed encompassing the desired experience and expertise, leadership capabilities and cultural fit. The initial long list was selected from a diverse range of potential candidates, which ensured our diversity policy was considered from the outset. The shortlisted candidates were interviewed by the CEO and the Board, and the Non-Executive Directors were kept well informed and consulted with throughout the process.

2023

March/April

Developing a candidate profile

Candidate profile developed in collaboration with executive search firm, Odgers Berndtson. Search strategy agreed and candidate long list compiled.

May/June

Interviews and assessments

Shortlist of four candidates compiled and interviewed by the CEO. Shortlist reduced to two candidates, both met with the Chair and Non-Executive Directors.

July

Final decision

After interviews of final candidates, the Nomination Committee was unanimous in its final selection and recommendation to the Board that Matt Webb be appointed as Chief Financial Officer. The Remuneration Committee considered and approved the terms and conditions relating to remuneration arrangements for the role. Matt Webb's appointment as Chief Financial Officer was approved by the Board and took effect on 4 September 2023 ahead of him joining the Board on 5 October 2023.

NOMINATION COMMITTEE REPORT CONTINUED

Board induction and training

Directors receive an induction programme tailored to their individual needs, which typically begins with meeting the Executive Leadership team, and product and market training. Matt Webb (CFO) has over 25 years' experience of working within international listed businesses at Group and Divisional level across distribution and manufacturing, the tailored part of his induction has been focused on getting to know his team and the business, which to date, has also included a site visit to FuG in Germany, allowing time to interact with management team members face to face. Matt has also had a good level of interaction with our broker, corporate lawyers, internal Auditor, and PwC as our external Auditor to build these working relationships.

An example of a Board induction process is outlined in the infographic below.

Board induction process

Stage 01	Includes an overview of the structure, history, strategy, Board procedures, listing requirements and governance.
Stage 02	Meeting members of the Executive Leadership team, and external brokers and advisers as required.
Stage 03	Visiting sites as appropriate and access to videos, to understand the operations of the business and specific functional areas.
Stage 04	Understanding what knowledge would be beneficial to enable the Board to function more effectively.
Stage 05	Determining how best to train or impart the knowledge required.
Stage 06	Implementation by way of training or specific virtual site visits with presentations from the functional areas.

Board effectiveness

The Corporate Governance Code discusses the need for Board evaluation, covering Board composition and diversity, and how effectively members collaborate to achieve objectives.

Each year, the Board conducts an evaluation of its own performance and effectiveness, and that of its Committees, completing an externally facilitated evaluation every third year, as it did in 2022. For 2023, the review was conducted using an anonymous third-party online questionnaire, which covers all aspects of effectiveness: capabilities and communication; culture and practice; process and organisation; meeting rigour; and relationships. Directors were also asked to comment on what it should stop, start and continue doing. A "Board Dynamics" component based on personality preferences was also updated to include all current Directors to give visibility over the Board's characteristics.

Board evaluation process

Stage 01	Questions were reviewed and agreed by the Chair, Company Secretary and Committee Chairs.
Stage 02	Directors complete an anonymous online questionnaire. This includes questions such as whether the Directors operate with independent judgement.
Stage 03	The results of the questionnaire are collated by an external consultant, who reviews the results and produces a summary report for the Board.
Stage 04	The results of the evaluation report are discussed by the Board and improvement actions are determined.

Overall, the Company achieved an average favourable score of 90% across all areas (based on Directors' individual perceptions of Board effectiveness), acknowledging that the Board is operating effectively and in accordance with good corporate governance principles. There is a high degree of open and transparent information sharing and great relationships between Board members. The review highlighted the importance of allocating time to strategic and mid to long-term planning as well as increasing external input on hot topics, with linked updates from internal teams as to how these subjects are being integrated into planning.

The Board's committee evaluation formed part of the Board evaluation process, using online questionnaires to assess the Audit, Remuneration and Nomination Committees. The results were fed back to the respective Committee Chair and were in turn reviewed and discussed by each Committee.

The Chair and Non-Executive Directors regularly meet without the Executive Directors present, to ensure that potentially sensitive matters can be discussed. At least annually, the Senior Independent Director meets with the Non-Executive Directors, excluding the Chair, to evaluate the Chair's performance.

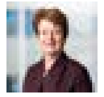
2022 Board evaluation progress

From the 2022 Board evaluation, the Board addressed the need to assess leadership capabilities among senior management. The Committee reviewed succession among the Executive Leadership and for critical roles, both for emergency cover and in terms of identifying high potential individuals that, with the right development plan, could act as a successor to the current post holder. Steps were also undertaken to optimise the structure and content of Board papers during the year, this included feedback from the Board to identify the areas in need of focus. It is recognised that this will be developed further with input from the new CFO.

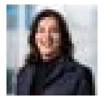
AUDIT COMMITTEE REPORT

> During the year, the Audit Committee oversaw the Audit retender process and assisted the Board in fulfilling its oversight responsibilities.
>
> **POLLY WILLIAMS**
> AUDIT COMMITTEE CHAIR

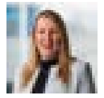
COMMITTEE MEMBERSHIP



Polly Williams
Chair



Pauline Lafferty



Sandra Breene

Dear shareholder,

I am pleased to present the 2023 Audit Committee Report, providing you with an insight into our work, the matters handled and the focus of our deliberations during 2023.

During the year, the Committee oversaw the Audit retender process and assisted the Board in fulfilling its oversight responsibilities, in areas such as the integrity of financial reporting, risk management framework effectiveness, and our system of internal controls, while considering ethics and compliance matters.

As detailed throughout the Annual Report, 2023 has seen another year of robust revenue growth, as well as some Company-specific challenges relating to the Group's funding position, which resulted in the difficult decision to pause dividend payments and defer construction of the Malaysia factory. Following implementation of these actions, the Committee and Board reflected on the events that led to these decisions and the process changes required to avoid such circumstances recurring.

The Committee, with support from our people travelling to overseas sites, maintained good oversight of the Group's internal controls, risk management framework and financial reporting. The Committee continues to scrutinise the Group's internal control framework, maintaining a focus on optimising the internal audit agenda.

This report will provide the following information:

- the Audit Committee's principal responsibilities and its governance;
- key activities reviewed by the Audit Committee, including regular annual review items and current areas of focus;
- discussions and actions with the external and internal Auditors on any significant judgements and/or issues; and
- details of the ongoing review of the external Auditor and the amount of non-audit work undertaken.

The Audit Committee is satisfied that the Company has maintained adequate risk management and internal controls throughout the year, and that the internal audit programme has been sufficiently planned and resourced to confirm this.

I believe that the Audit Committee has the necessary experience, expertise and financial understanding, supported by the internal and external Auditors, to fulfil its responsibilities and continue monitoring, and contributing to, ongoing initiatives.

The Committee has recommended to the Board that the reappointment of PricewaterhouseCoopers LLP (PwC) should be proposed at the forthcoming AGM, and I hope you will support us in this resolution.

POLLY WILLIAMS
AUDIT COMMITTEE CHAIR

4 March 2024

Governance

The current Audit Committee members are all independent Non-Executive Directors with financial and/or related business experience from senior positions in other diverse organisations. Polly Williams has been the Audit Committee Chair since 29 April 2022 and the Board is satisfied that Polly has recent and relevant financial experience, representing 33% of the current Committee membership.

The Audit Committee met four times during 2023:

Members	Attendance
Polly Williams (Committee Chair)	4/4
Pauline Lafferty	4/4
Sandra Breene	4/4

Regular attendees at Committee meetings included: the CEO, CFO, Group Financial Controller, Group Supply Chain and Asia Finance Director, Company Secretary, and external and internal Auditor representatives. The Committee also regularly met with management and with the external and internal Auditors without management present.

Committee evaluation

During the year, as part of the Board's evaluation process, the Committee reviewed its performance. This was facilitated by an anonymous, third-party managed, online survey and resulting actions included a greater focus on evaluating emerging issues, and providing ongoing development opportunities around technical aspects of accounting rules and practices.

The Committee believes it has adequate qualifications and skills to perform its responsibilities, particularly through Polly Williams' financial and audit experience.

Overall, the Committee concluded that its performance was effective in 2023, fulfilling its role in accordance with its Terms of Reference.

Responsibilities

The Committee is responsible for:

- ensuring the financial performance of the Group is properly reported and monitored;
- advising the Board on whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- compliance with legal requirements;
- adoption and correct implementation of accounting standards;
- meeting the requirements of the FCA's UK Listing regime;
- assessing the Group's internal control processes and assurance framework;
- reviewing any instances of fraud or whistleblowing;
- supervising the relationship and performance of the external and internal Auditors; and
- reviewing the nature and extent of audit and non-audit services provided to the Group by the external Auditor.

The Audit Committee's Terms of Reference are reviewed annually and are available in the Corporate Governance section of the Company's investor relations website corporate.xppower.com.

AUDIT COMMITTEE REPORT CONTINUED

Activities

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967 and consideration was given to the FRC's new Minimum Standard for Audit Committees. In 2023, the Audit Committee's activities included:

- Examining the Annual Report, discussing it with management and the external Auditor to assess whether the reports, taken as a whole, were fair, balanced and understandable prior to recommending these for Board approval.
- Reviewing the balance sheet of the Company, consolidated financial statements of the Group and the independent Auditor's Report before their submission to the Board.
- Receiving reports from management and the external Auditor on key accounting issues and areas of significant judgement, reviewing and challenging these areas and the disclosure level. See "Consideration of significant financial reporting matters" for the principal matters discussed.
- Reviewing how the Company's management assisted the external Auditor.
- Challenging management's assumptions and analysis on the Group's going concern basis of preparation, the long-term viability statement and associated risk assumptions, the accounting policies and disclosures, financial reporting issues, assumptions and adjustments made, including those related to goodwill and capitalised product development. In light of the actions taken in late 2023 to improve the Group's funding position, the Committee will place appropriate additional emphasis on its review of management's severe but plausible downside modelling going forward, to ensure the Group's capital structure can withstand unforeseen changes in circumstances, while borrowing levels remain relatively elevated. The Committee will also ensure the details of such modelling are appropriately disclosed.
- Reviewing and recommending the viability statement and going concern statement to the Board.
- Reviewing any dividend flows across Group entities.
- Reviewing and approving the use of alternative performance measures (APMs) in the Annual Report.
- Reviewing the half-year report.
- Evolving the Group's risk and compliance framework by directing the outsourced internal Auditor, Deloitte LLP, and reviewing the work scopes of the target areas.
- Reviewing and approving the internal audit plan.
- Reviewing the findings of the internal audit work and follow-up of previous year's reviews.
- Overseeing the external Auditor retender process.
- Managing and reviewing the external audit plan, including receiving plan delivery updates.
- Reviewing reports from the external Auditor on the Group's financial reporting and their observations on the internal financial control environment.
- Reviewing the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements.
- Reviewing the approach taken to the Task Force on Climate-related Financial Disclosures (TCFD).
- Assessing the accounting principles to be adopted in the preparation of the statutory accounts.
- Reviewing any material issues of fraud, whistleblowing and litigation.

Fair, balanced and understandable

At its February 2024 meeting, the Committee reviewed, at the Board's request, the 2023 Annual Report and Accounts content. Following review and incorporation of its comments, the Committee confirmed that the document was true and fair, that the external Auditor's work was effective, and that the process supporting the viability statement was robust. The Committee considered that the 2023 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

To assist in the assessment process, the Committee considered:

- external Auditor comments as part of their review of narrative reporting;
- reviews of the monthly management accounts, enabling trends to be monitored through the year;
- the Group's use of APMs, including the appropriateness of their current use and disclosure in the Financial Statements and Strategic Report;
- evidence around the content and process for preparing the 2023 Annual Report and Accounts provided by management;
- reviews of the Annual Report undertaken at different levels of the Group, with an opinion that the reporting meets the required standards confirmed to the Committee; and
- reviews of the narrative reporting by all Directors prior to formal consideration of the draft Annual Report by the Board.

Application of accounting policies

The Group's accounting policies are set out in Note 2 to the Financial Statements on pages 161–172. The Committee have reviewed these policies to ensure that they are appropriate and have been properly disclosed and applied.

Consideration of significant financial reporting matters

In relation to the 31 December 2023 Financial Statements (pages 157–209), the Audit Committee considered the following topics. These areas are considered significant due to the level of materiality and degree of judgement exercised by management. The Committee questioned the judgements and estimates made on each significant matter, resolving that they were appropriate and acceptable.

Significant matters for the year ended 31 December 2023		How the Audit Committee addressed these matters	Conclusion
Valuation of goodwill	The carrying value of goodwill is a material item on the Group balance sheet and may require impairment if expected future benefit of cash-generating units reduces.	Impairment assessments are performed at least annually by management to generate discounted cash flows for each cash-generating unit (CGU) and provide comfort over the balance sheet value. The Committee challenges the appropriateness of judgements and forecasts used in management's impairment assessment, including the calculation of discount rates and forecast growth rates.	Impairment calculations indicated that there remains adequate headroom between the value in use and the carrying value. The Committee was satisfied that there was no indication of impairment.
Capitalised product development	As part of the Group's product development process, direct costs associated with new products are capitalised and amortised over their expected useful life. The carrying value of these costs is rising in line with increased product development as the business has grown, and requires judgement over the capitalisation, amortisation and recoverability of these products.	The Committee reviewed three key aspects of this accounting: appropriateness of capitalisation, timing and quantum of amortisation, and recoverability of the capitalised amount. **Capitalisation** The Committee reviewed rates of capitalisation relative to gross spend and assessed whether the approach was consistent with relevant accounting standards and with prior years. **Amortisation** The Committee reviewed rates of amortisation relative to prior years and assessed whether the useful lives applied were consistent with the Group's published policies. **Recoverability** The Committee reviewed revenue streams for capitalised products that have been released for sale, as presented by management. This enables challenge of performance of new products compared to expectations, and the impact of significant projects to overall carrying value. During the year, the Committee has challenged the nature of the assets within the smaller value completed projects. Management performed a review to understand the nature of the assets and identify any recoverability risk. **Conclusion** At its February 2024 meeting, the Committee considered a paper from management, which recommended the impairment of certain Engineering Services costs, as well as a revised approach to judging when the amortisation of capitalised costs should commence. Further details are provided in the Chief Financial Officer's Review. The recommendations were supported by the Committee and are reflected in these financial statements.	The Committee was satisfied with the judgements used and the carrying value of capitalised product development at year-end.

AUDIT COMMITTEE REPORT CONTINUED

Significant matters for the year ended 31 December 2023		How the Audit Committee addressed these matters	Conclusion
Inventory	Even though inventory levels decreased during the year as supply chain disruption eased, the balance remains significant. The risk of obsolescence and ongoing control over existence and completeness of inventory balances is a key focus for balance sheet accuracy.	Physical inventory across all sites was validated through a combination of ongoing cycle counts, wall-to-wall stock counts and, where appropriate, sample counts held at year-end. The Committee reviewed the accuracy of ongoing cycle counts and targets set by management. Inventory counts and valuations were reviewed by management and the external Auditor, and the results reported to the Committee. The Committee reviewed management's inventory obsolescence provision, reviewing it for consistency with the Group's accounting policy.	The Committee was satisfied that the counts were conducted appropriately.
Viability statement and going concern	Management prepares a going concern assessment and viability statement with consideration of longer-term forecast cash flows that consider principal risks including climate-related considerations.	The Committee reviewed the period that viability should be assessed, and reaffirmed that three years remains appropriate. They also considered how the Group's principal risks should be reflected in the modelling of sensitivity analysis for liquidity and solvency. It reviewed the results of management's scenario modelling and the reverse stress-testing of these models, along with consideration of the Group's financing facilities, covenant tests and future funding plans. The Committee reflected on the events that led to the Group implementing its Funding Plan in late 2023, as well as the impact of the Funding Plan itself, to ensure scenario modelling took account of these factors. The Committee will place additional emphasis on its review of management's severe but plausible downside scenario whilst funding levels remain relatively elevated.	Based on this review, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, and recommended the approval of the viability statement, which can be found on page 60.
Adjusting items and adjusted measures	Adjusted measures are not reported as part of the financial statements but are used in the Annual Report and Accounts to clarify underlying performance for users of the accounts by excluding items deemed to be unusual by virtue of their size or incidence.	The classification of adjusting items is reviewed by the Committee and only includes items of significant income and expense, which, due to their size, nature or frequency, merit separate presentation to allow shareholders to better understand the elements of financial performance. The Committee reviewed items to be included throughout the year to confirm appropriateness.	The Committee was satisfied that the classification of adjusting items was appropriate.

Internal control

The Board is ultimately responsible for the Group's system of internal controls and their ongoing assessment. See our Risk Management Framework on page 52 for further detail.

In 2023, the Committee, on behalf of the Board and with assistance of the internal audit function, monitored, reviewed and assessed the Group's internal control systems and principal financial risks effectiveness. The Committee regularly reviewed the outcome of the key financial controls audits included in the internal audit programme. Management also regularly provided the Committee with key accounting issues and financial controls updates.

The Committee considered its approach to controls, risk and assurance in light of the updated requirements on the areas of internal control and Company reporting timelines, and will continue to oversee management's response plans to the revised UK Corporate Governance Code in 2024.

The Audit Committee is satisfied that the Company has maintained adequate risk management and internal controls throughout the year.

Internal audit

The internal audit function, performed by Deloitte LLP, provides independent and objective assurance of the effectiveness of the Group's risk management, control and governance processes in areas prescribed by an audit plan agreed with the Committee. The effectiveness of their service is assessed annually through an online survey, the results address the quality, experience and expertise of the internal audit service, with which the Committee is satisfied.

During 2023, the Committee reviewed internal audit plan updates, ensuring that the internal audit framework remains appropriate in combination with the Board's risk monitoring process, used to identify areas for risk assurance work and internal audits to be performed.

This included an evaluation of XP's processes and systems for ensuring critical IT systems and data availability in the event of a disaster, an assessment of Board-level governance arrangements, a review of the use of SAP S/4 HANA in managing production across multiple XP Power locations, and a review of the design and operating effectiveness of key financial controls across two US sites. The Group has continued with the controls self-assessments programme covering all sites.

The recommendations and control observations from the reviews are rated and presented to the Committee for comment or further action and are assessed by management and addressed within an agreed timeline. The internal Auditor regularly follows up these actions, sharing progress with the Committee.

In early 2024, the Committee reviewed the scope and planned activity of internal audit work to be performed by Deloitte LLP, as part of finalising the Internal Audit Plan for the year ahead.

External audit effectiveness and independence

The Committee assesses audit effectiveness throughout the financial year using questionnaire responses to form the basis of discussion. This includes reviewing the detailed audit plan and key audit risks included in it, the amount and composition of resources on the audit, and where appropriate, the use of specialists. The Committee reviewed and agreed issues that arose during the audit, and resolutions with the external Auditor.

The Committee also received management feedback evaluating the performance of the external audit teams. Consideration was given to the quality of the audit, communication and interaction with the finance teams across the Group. Management, and the Committee, concluded that the external Auditor relationship and audit process continued to be effective, with audit teams providing challenge.

During 2023, the Committee oversaw the retender process for the external Auditor. The tender process sought to identify an audit firm that would provide a high-quality audit. The Big 4 audit firms were all invited to tender. A decision was taken to not include firms below this level based on an initial screening against objective assessment criteria agreed by the Committee that confirmed they did not meet the Group's requirements for relevant audit experience in specific locations to ensure a seamless global service. As part of the request for proposal, success factors included: geographical coverage, sector and industry experience, integrity, objectivity and independence, as well as an understanding of XP's business. Following reviews and meetings between audit partners from each of the Big 4, the Audit Committee Chair and senior management, the Committee considered feedback and written proposals received and made a recommendation to the Board. The Board approved the reappointment of PwC as the external Auditor.

In line with the UK Corporate Governance Code requirements to rotate the statutory auditor after 20 years, XP recognises that it will need a new auditor for the accounts in 2027 as PwC were appointed in 2007. Therefore, a tender process will be conducted in 2026, ahead of which the business will seek to manage relationships with its advisers to ensure the independence of audit firms that may be considered. In accordance with best practice, the audit partner will rotate after five years, meaning Lee Chian Yorn will replace Greg Unsworth (audit partner since 2019), from the commencement of the 2024 audit. To build business knowledge and gain understanding, Lee Chian Yorn has shadowed Greg Unsworth throughout the 2023 audit process. The Committee has reported to the Board that PwC's reappointment should be proposed at the forthcoming AGM.

The Audit Committee reviews the role and independence of the external Auditor. A formal statement of independence is received each year, together with a report on the safeguards in place to maintain their independence, and internal measures to ensure objectivity. With the external Auditor, the Committee discusses areas where they have challenged management and how any disagreements have been resolved.

The Committee is satisfied that this independence has been maintained.

Under its formal policy, the Committee continues to operate an approved set of procedures regarding the external Auditors appointment to conduct audit and non-audit work. Areas covered by the policy include:

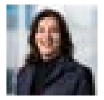
- the award of audit-related services to the Auditor over £50,000 must be approved by the Audit Committee Chair, who, in their approval, will consider the aggregate of audit-related revenue already earned by the Auditor in that year. Audit-related services include formalities relating to borrowing, shareholder and other circulars, regulatory reports, work relating to disposals and acquisitions, tax assurance work and accounting policies advice;
- the award of tax consulting services to the Auditor over £50,000, subject to compliance with the EU member state restrictions, must first be approved by the Audit Committee Chair; and
- the award of other non-audit-related services to the Auditor over £20,000 must first be approved by the Audit Committee Chair.

During the year, non-audit fees of £0.02 million, representing 3.0% of total audit fees (2022: £0.02 million, representing 2.7% of total audit fees) were paid to the Auditor for review of the 30 June 2023 interim financial statements.

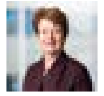
REMUNERATION COMMITTEE REPORT

> It has been a challenging year for the Company, which we have taken into account in decision-making while recognising the significant contribution made by our people in 2023.
>
> **PAULINE LAFFERTY**
> REMUNERATION COMMITTEE CHAIR

COMMITTEE MEMBERSHIP

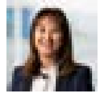


Pauline Lafferty
Chair



Polly Williams

Jamie Pike



Amina Hamidi[1]

[1] From 18 May 2023.

Dear shareholder,

This report sets out details of the Directors' remuneration in 2023 and how the Remuneration Committee anticipates operating the Directors' Remuneration Policy in 2024.

The Remuneration Committee met on four occasions during the year. The current Remuneration Committee members are all independent Non-Executive Directors:

Members	Attendance
Pauline Lafferty (Committee Chair)	4/4
Polly Williams	4/4
Jamie Pike	4/4
Amina Hamidi*	2/2

* Amina Hamidi was appointed to the Committee on 18 May 2023.

Performance context

2023 was a year of contrasting fortunes for the Group.

The Group grew its revenue by 9.3% in the year, due largely to an improved supply chain performance, which allowed backorders to be delivered. Progress was also made strategically, by selling more technologically complex products and achieving an increase in new business wins. Management also made progress toward the end of the year with reducing inventory cover, although there is much more still to do.

As welcome as this progress was, it was inevitably overshadowed by the significant challenges faced by the business in the second half of the year. A slowdown in activity levels and greater than expected expenditure on long-term investment projects left the balance sheet too leveraged. The Board responded by taking the steps necessary to improve the funding position.

In deciding remuneration outcomes for 2023, the Committee has given due consideration to the full context of 2023, including the challenges described, management's preparation for, and response to them, as well as the diminution in value experienced by shareholders during this difficult period.

Key remuneration decisions for 2023

Recruitment of Chief Financial Officer

The Committee determined the remuneration package for Matt Webb, as the new CFO, and granted LTIP awards to him shortly following his appointment, in line with the Directors' Remuneration Policy (the Policy). The Committee also approved the leaver treatment of the outgoing CFO, Oskar Zahn, and a statement was published on the Company's website describing our approach and confirming compliance with the Policy.

Annual bonus

The 2023 annual bonus was based on Adjusted profit before tax, Adjusted operating cash conversion measured at each quarter-end and the attainment of strategic goals. The details of the financial measures and targets, and their achievement is shown on page 128. The Committee also reviewed the outcomes in the context of the Group's underlying performance, the challenges faced during the year and management's preparation and response to them. Taken in the round, the Committee concluded that no discretion needed to be applied to the bonus outcome, 50% of which is delivered in shares to ensure continued alignment of management and shareholder interests over the deferral period.

Bonus payments for 2023, as a percentage of maximum, were 45%, 50% and 42.5% for Gavin Griggs, Matt Webb and Andy Sng, respectively. Matt's annual bonus was pro-rated for the period of the year he was employed by XP Power. Half the bonuses earned by the Executive Directors are deferred into a two-year share-based award.

Vesting of the 2021 LTIP award

Long-Term Incentive Plan (LTIP) awards granted in 2021 were assessed based on three-year performance through to the end of 2023, with vesting based on three-year cumulative adjusted EPS growth (for 67% of the award) and relative Total Shareholder Return (33%).

- The EPS target range was 576.7p to 645.9p, with an actual EPS outcome of 418.2p, resulting in zero vesting of the EPS portion of the awards.
- Our relative TSR performance was below median, resulting in zero vesting of the TSR portion of the awards.

Given neither performance condition was achieved, the award will lapse in full.

Review of Share Ownership Policy

The Committee adopted a new internal Share Ownership Policy during the year, to provide greater clarity and formalise the arrangements already in place, namely, that Executive Directors are required to retain shares that vest (on a net of tax basis) under the operation of the Company's incentive plans to build a minimum shareholding equivalent to 200% of base salary within five years of appointment to their Board role, and maintain this shareholding for one-year post-cessation and half of this shareholding for a further year. Furthermore, 50% of any bonus achieved is deferred into a two-year share-based award.

How we ensured employees' voices were heard at Board level in 2023

During the year, I engaged with a diverse employee group from across the Company's key locations, in my capacity as both Remuneration Committee Chair and designated NED for employee engagement.

The Board trip to our Vietnam and Singapore factory and office locations facilitated an opportunity for employees in these regions to share their views and ask face-to-face questions.

This feedback, along with anonymous employee surveys, were discussed at subsequent Board meetings. Employees are able to ask questions or share perspectives on remuneration and, while no specific feedback was received in 2023, these would be considered by the Remuneration Committee and inform its decision making around executive pay.

Remuneration in 2024

The Committee has proactively tracked wage inflation in each of our operating markets throughout 2023; and used this to inform salary increase proposals in April 2024 for all employees. In this context, an average budget range of 3–3.5% has been agreed, within which higher increases will be awarded to employees who have fallen behind market levels, and those who are considered critical or high potential talent. The Committee reviewed Executive Director base salaries and, taking into account the challenges faced in 2023 and the experience of stakeholders, concluded that no annual salary increase would be awarded to Executive Directors and other senior executives in 2024.

The structure of the bonus scorecard for 2024 remains unchanged from 2023 and aligns with our short-term strategic and financial priorities, to comprise: Adjusted PBT (weighted 50%), Adjusted operating cash conversion (30%) and strategic objectives (20%).

In 2024, the Committee intends to grant performance shares with face values of 100% of salary to Gavin Griggs and Matt Webb, and 75% to Andy Sng; vesting will continue to be subject to appropriately stretching EPS and relative TSR conditions, but with these measures equally weighted for the 2024 cycle. Consistent with the Policy, restricted shares will also be granted with face values of 12.5% of salary to Gavin Griggs and Matt Webb, and 15% to Andy Sng. When determining these award levels, the Committee considered the number of awards that would be granted due to the share price. The Committee decided that it was appropriate to align the award levels with those in recent years, which are lower than the maximum permitted in the Policy, but will assess at vesting the extent to which this results in any windfall gains arising (and use its discretion to adjust if necessary).

The views of our shareholders are important to us, and I hope that you will support the Directors' Remuneration Report. If you have any questions or comments, I can be reached at remcomchair@xppower.com.

PAULINE LAFFERTY
REMUNERATION COMMITTEE CHAIR

4 March 2024

REMUNERATION COMMITTEE REPORT CONTINUED

REMUNERATION AT A GLANCE

Context to major decisions

- Improved supply chain performance required to offset prior disruption and exceed customer expectations
- Strong operating cash flow required to provide funding for capital projects and reduce leverage
- Further progress required with strategic priorities
- Response required to cyclical slowdown in the semiconductor manufacturing equipment industry during the second half of the year

→
SEE PAGE 122
FOR MORE INFORMATION

Achievements during the year

- Robust revenue growth, focused on strategic areas
- Improved supply chain performance and improved customer service
- Strong operating cash conversion
- Launch of Funding Plan to tackle increased indebtedness

→
SEE PAGE 122
FOR MORE INFORMATION

Key remuneration decisions for 2023 and 2024

- 2023 bonus outcomes of 45%, 50% and 42.5% of maximum for the CEO, CFO and EVP Asia
- Zero vesting under the 2021 LTIP
- No change to the base salaries for Executive Directors in 2024

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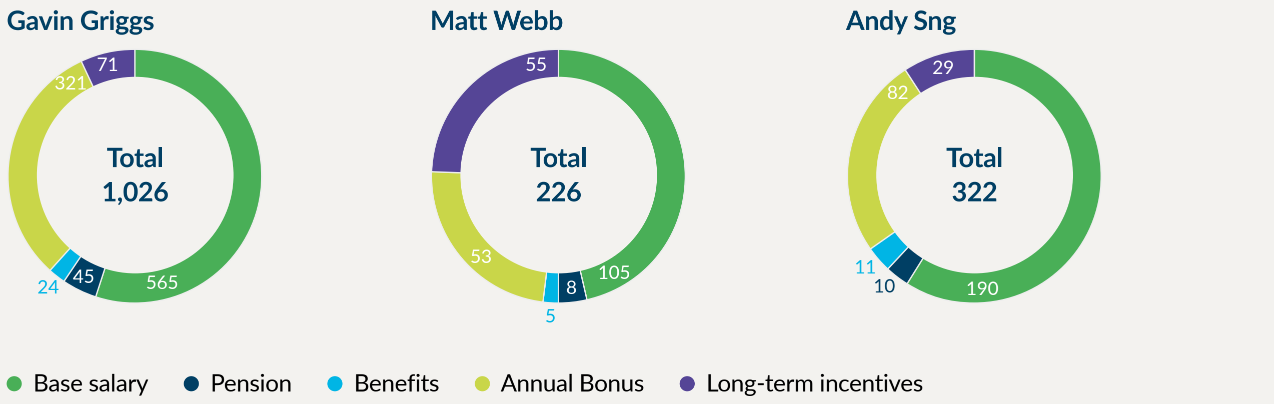
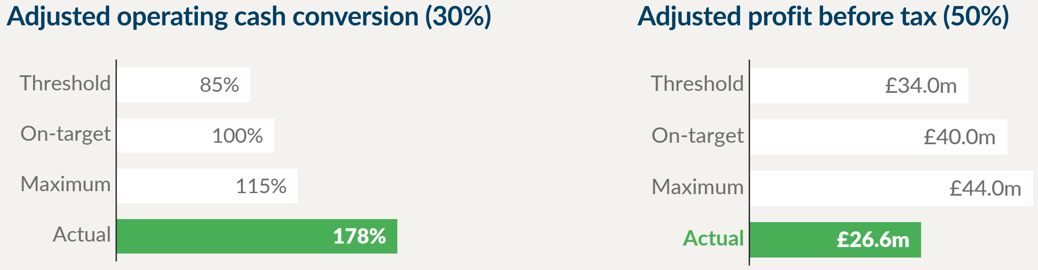
SEE PAGES 122–123
FOR MORE INFORMATION

Total remuneration receivable for Executive Directors (£'000)



Achievement of financial performance conditions under the 2023 annual bonus


Adjusted operating cash conversion (30%)

Adjusted profit before tax (50%)

Andy's Sng's adjusted profit before tax targets are set with reference to divisional, rather than Group, performance. Performance against these targets resulted in nil pay-out of this element as the threshold was not met.

→
SEE PAGE 128 FOR MORE INFORMATION

This table summarises the key components of the Directors' Remuneration Policy set out on pages 137–144, which was approved by shareholders at the AGM on 18 April 2023, and how the Committee intends to implement the Policy in 2024.

Component	Summary of policy	Operation in 2024
Base salary	Base salaries are reviewed annually. Increases will not normally exceed the range of increases awarded to other employees within the Group. The Remuneration Committee may also increase a Director's salary if there is a change in their role, the scale or complexity of the business, or if significant changes to market practice arise.	The Remuneration Committee undertook its regular review of Executive Directors' base salaries, and determined that these should remain unchanged for the year from 1 April 2024.
Benefits	Benefits are set by the Remuneration Committee and reviewed annually.	Benefits include life insurance, private medical cover and car allowance.
Pensions	Executive Directors' pension contributions are in line with pension benefits offered to the wider workforce in the relevant geography, which is currently 8% of salary in the UK.	Gavin Griggs and Matt Webb receive a pension contribution of 8% of base salary. Andy Sng receives a pension contribution in line with Singaporean employees' pension benefits.
Annual bonuses	The maximum bonus opportunity is 125% of base salary for the CEO and 100% for other Executive Directors. 50% of any annual bonus is deferred in shares, which vest after two years, subject to continued employment. Specific targets and weightings may vary according to strategic priorities and may include: • Financial performance; and • Attainment of personal and strategic objectives.	For 2024, the maximum bonus opportunity will be capped at 125% of salary for the CEO and 100% for other Executive Directors, with on-target pay-outs of 50% of maximum. Bonuses will continue to be based on financial and strategic performance measures. These targets are considered commercially sensitive so will not be disclosed prospectively. The targets and performance achieved against these will be published in next year's Annual Report on Remuneration. The performance measures that will apply are: • Adjusted profit before tax (50%); • Adjusted operating cash conversion (30%); and • Strategic objectives (20%). Andy Sng's performance objectives are set with reference to divisional performance in Asia, with his strategic objectives largely reflecting the priorities set out for Gavin Griggs and Matt Webb.

REMUNERATION COMMITTEE REPORT CONTINUED

<table>
<tr><th>Component</th><th>Summary of policy</th><th>Operation in 2024</th></tr>
<tr>
<td>Share-based incentives</td>
<td>
<p>Share-based incentives are made up of a Long-Term Incentive Plan (LTIP) and a Restricted Share Plan (RSP).</p>
<p>The normal maximum award level under share-based incentives is 150% of base salary or up to 200% of base salary in exceptional circumstances. Up to a maximum of 15% of base salary may be granted as restricted shares without performance conditions. In calculating value against the limit for share-based incentives, the value of restricted share awards will be multiplied by two to reflect that they do not have performance conditions attached.</p>
<p>LTIP performance is typically measured over three financial years starting with the year of grant, and vesting occurs on the fifth anniversary from the date of grant.</p>
<p>RSP awards may be granted without performance conditions.</p>
</td>
<td>
<p>In 2024, the Remuneration Committee anticipates granting the following awards:</p>
<table>
<tr><th>Name</th><th>LTIP award (% of salary)</th><th>RSP award (% of salary)</th></tr>
<tr><td>Gavin Griggs</td><td>100%</td><td>12.5%</td></tr>
<tr><td>Matt Webb</td><td>100%</td><td>12.5%</td></tr>
<tr><td>Andy Sng</td><td>75%</td><td>15%</td></tr>
</table>
<p>LTIP awards will vest based 50% on 2026 Adjusted EPS and 50% on TSR vs the FTSE 250 (excluding investment trusts) measured over three financial years. The targets for each element are as below:</p>
<table>
<tr><th>2026 Adjusted EPS (50% of maximum)</th><th>Vesting</th></tr>
<tr><td>100.0 pence per share or above</td><td>Maximum (100%)</td></tr>
<tr><td>At or below 70.1 pence per share</td><td>Threshold (0%)</td></tr>
</table>
<table>
<tr><th>TSR vs FTSE 250 excl. investment trusts (50% of maximum)</th><th>Vesting</th></tr>
<tr><td>Upper quintile (80th percentile) or above</td><td>Maximum (100%)</td></tr>
<tr><td>Median (50th percentile)</td><td>Threshold (25%)</td></tr>
<tr><td>Below median</td><td>No vesting</td></tr>
</table>
<p>Vesting between threshold and maximum will be measured on a straight-line basis.</p>
</td>
</tr>
<tr>
<td>Non-Executive Directors' fees</td>
<td>
<p>Fees are set at a level that is sufficient to attract, motivate and retain quality Non-Executive Directors. Fees are reviewed periodically. Non-Executive Directors are not entitled to participate in the Group's incentive plans.</p>
</td>
<td>
<p>Non-Executive Director fees were reviewed by the Board Chair and the Executive Directors in February 2024 and it was determined, with effect from 1 April 2024, that the base fee and additional fee for chairing Remuneration and Audit committees, and for acting as Senior Independent Director, will be increased to better reflect the time commitment of these roles. These fees have been unchanged since 2020. The Chair's fee was reviewed by the Committee, and no change will be made for 2024. In accordance with the Singapore Companies Act 1967, a total capped amount of fees for Non-Executive Directors will be proposed at the forthcoming AGM.</p>
<table>
<tr><th></th><th>Fee from 1 April 2023</th><th>Fee from 1 April 2024</th></tr>
<tr><td>Chair's fee</td><td>£220,000</td><td>£220,000</td></tr>
<tr><td>Base fee</td><td>£50,000</td><td>£53,000</td></tr>
<tr><td>Additional fee for Audit or Remuneration Committee Chair</td><td>£5,000</td><td>£10,000</td></tr>
<tr><td>Additional fee for acting as Senior Independent Director</td><td>£5,000</td><td>£10,000</td></tr>
<tr><td>Additional fee for extra responsibility*</td><td>£5,000</td><td>£5,000</td></tr>
</table>
<p>* Extra responsibilities include acting as designated NED for workforce engagement or as Board representative on an executive committee.</p>
</td>
</tr>
</table>

Annual report on remuneration

Single total figure of remuneration

The table below shows the total remuneration receivable for each Executive Director for the year ended 31 December 2023 and 2022, respectively.

£'000		Salary/fees	Benefits[3]	Pension	Total fixed pay	Annual bonus[4]	Share-based incentives[5]	Total variable pay	Total
Executive Directors									
Gavin Griggs	**2023**	**565**	**24**	**45**	**634**	**321**	**71**	**392**	**1,026**
	2022	537	22	43	602	–	128	128	730
Matt Webb[1]	**2023**	**105**	**5**	**8**	**118**	**53**	**55**	**108**	**226**
	2022	–	–	–	–	–	–	–	–
Oskar Zahn[2]	**2023**	**104**	**5**	**8**	**117**	**–**	**–**	**–**	**117**
	2022	412	23	33	468	–	44	44	512
Andy Sng	**2023**	**190**	**11**	**10**	**211**	**82**	**29**	**111**	**322**
	2022	179	10	10	199	–	45	45	244
Chair and Non-Executive Directors									
Jamie Pike[6]	**2023**	**170**	**–**	**–**	**170**	**–**	**–**	**–**	**170**
	2022	42	–	–	42	–	–	–	42
Pauline Lafferty	**2023**	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**60**
	2022	59	–	–	59	–	–	–	59
Polly Williams	**2023**	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**60**
	2022	57	–	–	57	–	–	–	57
Sandra Breene	**2023**	**50**	**–**	**–**	**50**	**–**	**–**	**–**	**50**
	2022	11	–	–	11	–	–	–	11
Amina Hamidi	**2023**	**50**	**–**	**–**	**50**	**–**	**–**	**–**	**50**
	2022	11	–	–	11	–	–	–	11
James Peters[7]	**2023**	**18**	**3**	**–**	**21**	**–**	**–**	**–**	**21**
	2022	60	3	–	63	–	–	–	63

[1] Matt Webb was appointed CFO on 4 September 2023 and to the Board with effect from 5 October 2023. 2023 remuneration for Matt reflects the portion of the year that he was an Executive Director.

[2] Oskar Zahn stepped down from the Board effective 31 March 2023. 2023 remuneration reflects the portion of the year that he was an Executive Director.

[3] Benefits include life insurance, private medical cover and car allowance.

[4] The annual bonus value represents performance over the relevant financial year: 50% of the pay-out is deferred into shares. Further 2023 annual bonus details, including performance measures, actual performance and bonus payouts, can be found on pages 128–129.

[5] The value of share-based incentives for 2023 represents:

i. for Gavin Griggs and Andy Sng, the value at grant of the restricted share awards granted on 17 March 2023 based on a £21.48 share price. No value is recorded for the vesting of 2021 LTIP awards as the performance conditions were not achieved and these awards will lapse in full.

ii. for Matt Webb, the value at grant of the restricted share awards granted on 14 September 2023 based on a share price of £21.97.
Further LTIP details, including performance measures, actual performance and vesting can be found on page 130. Further details of the 2023 RSP can be found on page 131.

[6] Jamie Pike was appointed Chair at the agreed revised fee of £220,000 with effect from 18 April 2023.

[7] James Peters retired as Chair effective 18 April 2023. James' 2023 remuneration reflects the portion of the year that he was in office.

REMUNERATION COMMITTEE REPORT CONTINUED

Notes to the single total figure table

Base salary in the year ended 31 December 2023

Executive Directors' base salaries are reviewed by the Committee with effect from 1 April each year and when an individual changes position or responsibility. Executive Director base salary changes during the year were:

	Base salary from 1 April 2022	Base salary from 1 April 2023	Increase
Gavin Griggs	£550,000	**£570,000**	+3.6%
Matt Webb[1]	–	**£440,000**	–
Oskar Zahn[2]	£416,000	**–**	–
Andy Sng	S$312,000	**S$320,000**	+2.6%

[1] Matt Webb was appointed CFO with effect from 4 September 2023, with a base salary of £440,000.

[2] Oskar Zahn resigned effective 31 March 2023.

Pensions in the year ended 31 December 2023

Executive Directors' pension contributions are aligned to those offered to all employees in their respective countries of employment, and are 8% of base salary for UK Executive Directors and equivalent to c.5% of base salary for Andy Sng, who is based in Singapore.

Annual bonus in the year ended 31 December 2023

The maximum annual bonus opportunity in 2023 was 125% of base salary for the CEO and 100% of base salary for other Executive Directors. The table below summarises performance against the Group performance targets set by the Committee for the year.

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
Adjusted profit before tax[1]	50%	£34.0m	£40.0m	£44.0m	£26.6m	0%
Adjusted operating cash conversion[2]	30%	85%	100%	115%	178%	100%
Strategic objectives	20%		See below			See below

[1] Andy Sng's adjusted profit before tax targets are set with reference to divisional performance, and are commercially sensitive. Performance against these targets resulted in 0% of maximum becoming payable for this annual bonus element.

[2] Calculated as Adjusted operating cash flow as a percentage of Adjusted operating profit measured at the end of each quarter and the average performance taken. This ensures cash conversion is an ongoing focus throughout the year. The full-year Adjusted operating cash conversion was 173%.

The Committee assessed the Executive Director strategic objectives against the targets set at the start of the year and assessed these as summarised below for Gavin Griggs and Matt Webb. Andy Sng's objectives are set largely to reflect these priorities but with reference to divisional performance in Asia. These are commercially sensitive and not disclosed in detail in the following table.

	Gavin Griggs	Matt Webb	Performance assessment in 2023
To deliver the Group plan the right way, beyond financial metrics	●	n/a	Progress made on our ESG priorities, with a number of agreed initiatives successfully implemented to further embed this agenda in XP's culture. Achieved some of the milestones set for the year, including: sign-off of XP's Net Zero Plan; filing targets for SBTi approval; and leading a Groupwide initiative on elimination of single use plastics. Significant further progress also made on health and safety focus.
Setting the long-term direction	●●	●●●	Progressed execution of strategy (in particular the first phase of Supply Chain Transformation) in line with expectations, despite business and sector challenges faced in the year. Matt Webb's score recognises his significant contribution in executing the Funding Plan.
Global Supply Chain management to effectively support customer demand	●●	n/a	Met objectives agreed by the Board for increasing capacity in all sites, and improving strength of relationships with key customers.
People, strength and capability of ELT, Senior management team and key talent	●●●	n/a	A key focus for 2023. Successfully recruited a number of high potential individuals into key roles to add to capability strength and breadth of the leadership team, despite the challenges faced. Also drove continued focus on engagement across the Group, resulting in improved employee survey scores.

●●● Exceeded ●● Met ● Partially met

The Committee assessed the CEO's performance against each objective set at the start of the year, as set out above, and reviewed the resulting payout warranted under this element in the additional context of the challenges faced in the second half. In approving the payment of 75% of the maximum opportunity for the strategic element of the bonus, the Committee concluded that this outcome appropriately balanced recognition of the CEO's leadership and contribution to managing the challenges of 2023 with the stakeholder impact of these (which are also reflected in the outcome under the PBT element of the bonus and also the 2021 LTIP). The overall CEO bonus outcome for 2023 was approved at 45% of the maximum opportunity.

Matt Webb joined XP Power as CFO in September 2023, and was appointed to the Board in October. He quickly established himself as a key Board and Leadership team member, leading the critical execution of our Funding Plan and establishing credibility with investors. Overall, his contribution during his tenure to date has been excellent notwithstanding difficult circumstances and the Committee determined the payment of 100% of the maximum opportunity for this bonus element, prorated for the period worked. The overall CFO bonus outcome for 2023 was 50% of maximum.

Andy Sng's strategic performance objectives are partially set with reference to divisional performance. While these remain considered to be commercially sensitive, they are set to align and support the priorities set out for Gavin Griggs. The Committee acknowledges Andy's leadership of the Asia business during a challenging year, particularly his contribution to strengthening customer relationships and the sales pipeline. However, certain objectives set at the start of the year were not met, resulting in an overall assessment by the Committee warranting the payout of 62.5% of the maximum opportunity for this bonus element and an overall bonus outcome for 2023 of 42.5% of maximum.

The Committee carefully considered whether those outturns were appropriate and, reflecting on performance achieved in the year, no discretion to amend the formulaic outputs in the year was applied. Half of the 2023 annual bonuses for Executive Directors are deferred into shares, vesting after two years.

REMUNERATION COMMITTEE REPORT CONTINUED

Long-term incentive awards vested or due to vest with respect to performance in the year ended 31 December 2023

2021 LTIP awards

LTIP awards were granted on 3 March 2021, the vesting of which was based two-thirds on cumulative EPS and one-third on TSR vs the FTSE 250 index excluding investment trusts over the three financial years ended 31 December 2023. The table below summarises performance against the targets.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% achieved
Cumulative EPS	67%	576.7p	645.9p	418.2p	–
TSR	33%	Median	Upper quintile	Below median	–
Total					–

Shares under this award, with performance measured over the three financial years ended 31 December 2023, will lapse in full.

	Date of grant	Type of award	Number of shares awarded	% vesting	Dividend equivalent payments per share	Number of shares vested or due	Value of shares vested or due to vest
Gavin Griggs	3 March 2021	Nominal-cost options	9,652	–	–	–	–
Andy Sng	3 March 2021	Nominal-cost options	1,930	–	–	–	–

Scheme interests awarded in the year ended 31 December 2023

LTIP and RSP awards were granted to Executive Directors in 2023 equal in value to 100% of salary (LTIP) and 12.5% of salary (RSP) for each of Gavin Griggs and Matt Webb, and 75% of salary (LTIP) and 15% of salary (RSP) for Andy Sng, as follows:

	Date of grant	Plan[1, 2]	Type of award	Face value of award	Number of shares awarded	End of performance period
Gavin Griggs	17 March 2023	LTIP 2017	Nominal-cost options	£569,993	26,536	31/12/2025
	17 March 2023	RSP 2020	Nominal-cost options	£71,249	3,317	n/a
Matt Webb	14 September 2023	LTIP 2017	Nominal-cost options	£439,993	20,027	31/12/2025
	14 September 2023	RSP 2020	Nominal-cost options	£54,991	2,503	n/a
Andy Sng	17 March 2023	LTIP 2017	Nominal-cost options	£147,030	6,845	31/12/2025
	17 March 2023	RSP 2020	Nominal-cost options	£29,406	1,369	n/a

[1] Awards granted on 17 March 2023 were based on the five-day average mid-market share price over 10–16 March 2023, being £21.48.

[2] Awards granted on 14 September 2023 were based on the five-day average mid-market share price over 7–13 September 2023, being £21.97.

Long-term incentive measures and targets

The performance targets for the 2023 LTIP awards are:

		2023 award (67% EPS and 33% TSR)
Earnings per share	Operation	Cumulative Adjusted EPS over three financial years
	Threshold (0% vest)	480.0p
	Maximum (100% vest)	602.0p
Total shareholder return	Operation	Relative TSR compared with that for the constituents of the FTSE 250 index (excluding investment trusts)
	Threshold (25% vest)	Median (50th percentile)
	Maximum (100% vest)	Upper quintile (80th percentile)

The EPS range for the 2023 awards also included a 'mid-point' of 541p at which 50% of awards would vest.

Awards of restricted shares granted to Executive Directors in 2023 are not subject to performance conditions on vesting.

Directors' shareholding and share interests

A shareholding guideline applies to Executive Directors, requiring them to build and maintain a shareholding equal to 200% of base salary. The guideline will continue to apply in full for one-year post-cessation, with 50% of the guideline level (100% of base salary) applying for a second year. Deferred bonus shares, restricted shares, vested share options and LTIP shares that are still in their holding period will be counted against these requirements on a net of tax basis.

The table below summarises the Directors' beneficial interests (including that of their connected persons) in the Company's shares:

				Interest in share awards				
	Beneficially owned shares at 31 December 2022	Beneficially owned shares at 31 December 2023	Unvested Deferred Bonus shares	Unvested RSP awards and LTIP awards for which the performance period has completed	Unvested LTIP awards for which the performance period is in progress	Vested but unexercised Deferred Bonus, RSP and LTIP awards	Shareholding guideline (% of salary)	Shareholding guideline met?
Executive Directors								
Gavin Griggs	8,252	12,599	6,371	10,447	41,813	5,379	200%	Building
Matt Webb[1]	–	12,173	–	2,503	20,027	–	200%	Building
Oskar Zahn[2]	–	–	–	–	–	–	n/a	n/a
Andy Sng	30,723	30,723	1,460	3,629	10,484	2,200	200%	Met
Chair and Non-Executive Directors								
James Peters[3]	1,004,279	1,004,279	–	–	–	–	n/a	n/a
Jamie Pike	3,838	12,533	–	–	–	–	n/a	n/a
Polly Williams	–	4,347	–	–	–	–	n/a	n/a
Pauline Lafferty	–	1,739	–	–	–	–	n/a	n/a
Sandra Breene	–	2,391	–	–	–	–	n/a	n/a
Amina Hamidi	–	–	–	–	–	–	n/a	n/a

[1] Matt Webb joined the Board on 5 October 2023.

[2] Oskar Zahn stepped down from the Board with effect from 31 March 2023. The beneficially owned shares shown for Oskar represent his share awards interests as at 31 March 2023. As Oskar's share awards lapsed after he stepped down, and he had no beneficially owned shares, no post-cessation shareholding requirement applies.

[3] James Peters retired from the Board with effect from 18 April 2023. The beneficially owned shares shown for James represent his shareholding as at 18 April 2023.

The table below summarises Gavin Griggs' outstanding share awards:

REMUNERATION COMMITTEE REPORT CONTINUED

Date of grant	Exercise price	Interest as at 31/12/22	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/23	Vesting date[1]	Expiry date
2017 LTIP								
16/03/2019	£0.01	2,277	–	–	–	**2,277**	16/03/2022	16/03/2024
22/04/2020	£0.01	10,453	–	(7,745)	–	**2,708**	22/04/2025	22/04/2026
03/03/2021	£0.01	9,652	–	–	–	**9,652**	03/03/2026	03/03/2027
08/03/2022	£0.01	15,277	–	–	–	**15,277**	08/03/2027	08/03/2028
17/03/2023	£0.01	–	26,536	–	–	**26,536**	17/03/2028	17/03/2029
2020 RSP								
22/04/2020	£0.01	1,307	–	–	–	**1,307**	22/04/2025	22/04/2026
03/03/2021	£0.01	1,206	–	–	–	**1,206**	03/03/2026	03/03/2027
08/03/2022	£0.01	1,909	–	–	–	**1,909**	08/03/2027	08/03/2028
17/03/2023	£0.01	–	3,317	–	–	**3,317**	17/03/2028	17/03/2029
Deferred Bonus								
04/03/2021	–	3,102	–	–	–	**3,102**	26/02/2023	–
08/03/2022	–	6,371	–	–	–	**6,371**	28/02/2024	–

[1] LTIP awards granted in 2019 vest 50% after three years, and 50% after four years; the vesting date shown reflects the first vest date.

Matt Webb's outstanding share awards are:

Date of grant	Exercise price	Interest as at date of joining	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/23	Vesting date	Expiry date
2017 LTIP								
14/09/2023	£0.01	–	20,027	–	–	**20,027**	14/09/2028	14/09/2029
2020 RSP								
14/09/2023	£0.01	–	2,503	–	–	**2,503**	14/09/2028	14/09/2029

Oskar Zahn's outstanding share awards are:

Date of grant	Exercise price	Interest as at 31/12/22	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/23	Vesting date	Expiry date
2017 LTIP								
10/05/2021	£0.01	8,024	–	(8,024)	–	**–**	10/05/2026	10/05/2027
08/03/2022	£0.01	11,555	–	(11,555)	–	**–**	08/03/2027	08/03/2028
2020 RSP								
10/05/2021	£0.01	1,203	–	(1,203)	–	**–**	10/05/2026	10/05/2027
08/03/2022	£0.01	1,444	–	(1,444)	–	**–**	08/03/2027	08/03/2028
Deferred Bonus								
08/03/2022	–	2,529	–	(2,529)	–	**–**	28/02/2024	–

Andy Sng's outstanding share awards are:

Date of grant	Exercise price	Interest as at 31/12/22	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/23	Vesting date[1]	Expiry date
2012 Share Options								
23/02/2016	£15.43	60	–	–	–	**60**	23/02/2020	23/02/2026
2017 LTIP								
16/03/2019	£0.01	814	–	–	–	**814**	16/03/2022	16/03/2024
22/04/2020	£0.01	3,236	–	(2,397)	–	**839**	22/04/2025	22/04/2026
03/03/2021	£0.01	1,930	–	–	–	**1,930**	03/03/2026	03/03/2027
08/03/2022	£0.01	3,639	–	–	–	**3,639**	08/03/2027	08/03/2028
17/03/2023	£0.01	–	6,845	–	–	**6,845**	17/03/2028	17/03/2029
2020 RSP								
22/04/2020	£0.01	405	–	–	–	**405**	22/04/2025	22/04/2026
03/03/2021	£0.01	289	–	–	–	**289**	03/03/2026	03/03/2027
08/03/2022	£0.01	727	–	–	–	**727**	08/03/2027	08/03/2028
17/03/2023	£0.01	–	1,369	–	–	**1,369**	17/03/2028	17/03/2029
Deferred Bonus								
04/03/2021	–	1,326	–	–	–	**1,326**	26/02/2023	–
08/03/2022	–	1,460	–	–	–	**1,460**	28/02/2024	–

[1] LTIP awards granted in 2019 vest 50% after three years and 50% after four years; the vesting date shown reflects the first vest date.

The closing share price of the Company's shares at 31 December 2023 was £13.56 (31 December 2022: £20.35) and the price range fluctuated between £7.76 and £26.80 over the financial year.

Payments for past Directors

No payments were made to former Directors in the year.

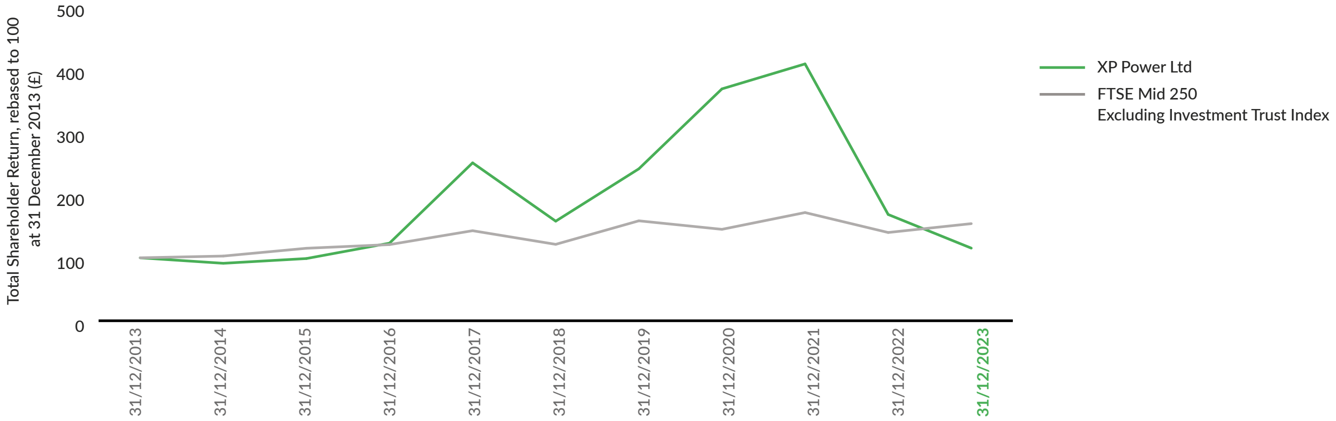
Payments for loss of office

There were no payments for loss of office.

Oskar Zahn stepped down as CFO, resigning from the Board on 31 March 2023. In line with the respective plan rules, all unvested share awards lapsed in full on 31 March 2023, this included all unvested deferred share awards. Oskar had no vested awards outstanding and was not entitled to any bonus for the financial year ended 31 December 2023. No payments, other than those for the period of service to 31 March 2023 disclosed in the single figure table on page 127, were made to Oskar Zahn.

Assessing pay and performance

This chart shows XP Power's total shareholder return since 31 December 2013 compared with that of the FTSE 250 (excluding investment trusts), rebased at 100.



REMUNERATION COMMITTEE REPORT CONTINUED

Total remuneration, annual bonus outturn and long-term incentive outturn for the CEO over the same period is shown below.

	2014	2015	2016	2017	2018	2019	2020	2021[1]	2022	2023
CEO total remuneration (£'000)	£271	£310	£800	£531	£684	£562	£1,357	£1,211	£730	**£1,026**
Annual bonus (% of maximum)	0%	15%	27%	100%	71%	11%	98%	73%	0%	**45%**
Long-term incentives (% of maximum)	n/a	n/a	81%	n/a	n/a	80%	81%	33%	26%	**0%**

[1] Data in the table is relevant to Duncan Penny up to 2020, and Gavin Griggs from 2021.

Context for Directors' remuneration

While the Committee has not engaged directly with employees on Executive remuneration alignment with the wider pay policy, the Board has engaged the workforce through site visits (see page 123). The Committee Chair acts as the designated Non-Executive Director for employee engagement and, to the extent employees wish to discuss executive pay, they are encouraged to ask questions on this, and any other topics. Any feedback from employees is then shared with the Board (or relevant Board Committee) and forms a valuable input to decision making.

Annual percentage change in Director and employee remuneration

The table below shows the percentage change (on a full-time equivalent basis, so as to permit meaningful comparison) in salary, taxable benefits and annual bonus earned by each Director serving in 2023, compared to the average employee (excluding Chinese and Vietnamese employees, where there has been significant salary inflation). Similar information for former Directors is published in the relevant Annual Report.

	Percentage change between 2019 and 2020			Percentage change between 2020 and 2021			Percentage change between 2021 and 2022			Percentage change between 2022 and 2023		
	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus[8]
Average employee	4%	3%	670%	8%	139%	(33%)	41%	19%	(69%)	**5%**	**5%**	**270%**
Executive Directors												
Gavin Griggs[1]	10%	(2%)	938%	57%	(22%)	43%	9%	22%	(100%)	**5%**	**6%**	**n/a**
Matt Webb[2]	–	–	–	–	–	–	–	–	–	**–**	**–**	**–**
Oskar Zahn[3]	–	–	–	–	–	–	3%	1%	(100%)	**1%**	**(1%)**	**n/a**
Andy Sng	1%	(9%)	6%	6%	(24%)	(23%)	13%	(66%)	(100%)	**6%**	**7%**	**n/a**
Non-Executive Directors												
James Peters[4]	15%	1%	–	3%	50%	–	0%	0%	–	**0%**	**17%**	**–**
Jamie Pike[5]	–	–	–	–	–	–	–	–	–	**239%**	**–**	**–**
Polly Williams	27%	–	–	(2%)	–	–	14%	–	–	**6%**	**–**	**–**
Pauline Lafferty	20%	–	–	15%	–	–	7%	–	–	**2%**	**–**	**–**
Sandra Breene[6]	–	–	–	–	–	–	–	–	–	**0%**	**–**	**–**
Amina Hamidi[7]	–	–	–	–	–	–	–	–	–	**0%**	**–**	**–**

[1] Gavin Griggs was appointed CEO with effect from 1 January 2021. The percentage change between 2020 and 2021 compared his pay as CEO with his CFO pay.

[2] Matt Webb was appointed as CFO with effect from 4 September 2023; no year-on-year comparison is possible.

[3] Oskar Zahn stepped down from the Board effective 31 March 2023. The percentage change between 2022 and 2023 is based on a full-time equivalent for 2023.

[4] James Peters retired from the Board effective 18 April 2023. The percentage change between 2022 and 2023 is based on a full-time equivalent for 2023.

[5] Jamie Pike joined the Board on 1 March 2022, becoming Chair on 18 April 2023. The percentage change between 2022 and 2023 reflects this change in role and assumes a full-time equivalent for 2022.

[6] Sandra Breene joined the Board on 11 October 2022, the percentage change between 2022 and 2023 is based on a full-time equivalent for 2022.

[7] Amina Hamidi joined the Board on 11 October 2022, the percentage change between 2022 and 2023 is based on a full-time equivalent for 2022.

[8] A percentage change in Executive Directors' annual bonus outcomes between 2022 and 2023 is not meaningful as a result of no bonus having been paid for 2022.

CEO pay ratio

In line with UK remuneration reporting regulations, the table below shows the ratio of the CEO's total remuneration to that of the lower quartile, median and upper quartile UK employees.

Year	Method[1]	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023	**Option A**	**30:1**	**18:1**	**12:1**
2022	Option A	23:1	15:1	9:1
2021	Option A	40:1	25:1	15:1
2020	Option A	50:1	31:1	18:1
2019	Option A	21:1	13:1	7:1

[1] Methods of calculation are set out in The Companies (Miscellaneous Reporting) Regulations 2018. Option A was selected as it best reflects the underlying data. As a large portion of the CEO's pay is variable, the pay ratio is heavily dependent on variable pay plan outcomes and, for long-term share-based awards, share price movements.

The year-on-year difference in the CEO pay ratio can be principally explained by the change in variable pay outturns for 2023 compared with those for 2022. Annual bonus and long-term incentives make up a significant proportion of Executive remuneration, while it is a relatively low proportion of wider workforce total pay. Accordingly, the Committee anticipates greater volatility in the reported pay ratio in years in which incentive outcomes are higher.

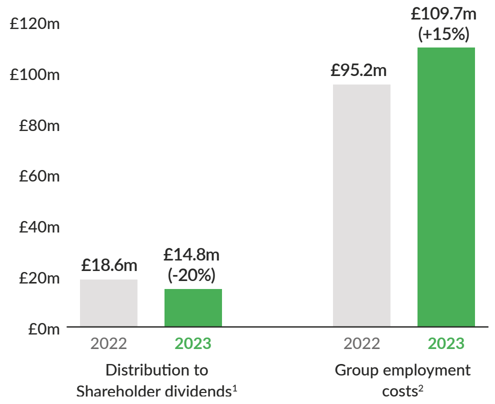
The table below shows the total pay and benefits, and the salary component, for the employees who sit at each of the three quartiles in 2023.

Year	Total pay and benefits	Salary component of total pay
25th percentile	£34,490	£31,376
50th percentile	£56,237	£52,250
75th percentile	£87,488	£82,350
Chief Executive	£1,026,000	£565,000

The CEO's pay ratio to the median pay of UK employees is a function of our pay, reward, and progression policies for the Company's UK employees and all XP employees. The Company aims to pay all employees, including the CEO, in accordance with its values, a desire to pay for performance, internal relativities and the appropriate external market reference points.

Relative importance of spend on pay

This chart illustrates the relative importance of spend on pay compared to shareholder dividends paid.



[1] Refer to Financial Statements – Note 9 for more details.

[2] Group employment costs includes Directors' remuneration. Refer to Financial Statements – Note 5 for more details.

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration Committee information

Responsibilities

The Committee is responsible for the remuneration arrangements for Executive Directors and members of the Executive Leadership team and for providing general guidance on aspects of remuneration policy throughout the Group. The Committee Terms of Reference are reviewed annually and are available in the Corporate Governance section of the Company's investor relations website corporate.xppower.com.

Committee evaluation

During the year, the Remuneration Committee reviewed its performance facilitated by an anonymous online survey managed by an independent third party as part of the Board's evaluation process. The Committee concluded its performance was effective in 2023 and that it fulfilled its role in accordance with its Terms of Reference.

Advice received in the year

During the year, Ellason LLP (Ellason) provided remuneration advice to the Company. Ellason provides no other services to the Committee and has no further connection with the Company or individual Directors. Ellason is a signatory to the Remuneration Consultants Group's Code of Conduct. On this basis, the Committee satisfied itself that Ellason's advice was objective and independent. The fees paid to Ellason in the year were £117,984 excluding VAT.

Voting on remuneration

The table below sets out voting in respect of the approval of the Directors' Remuneration Policy and the Directors' Remuneration Report at the 18 April 2023 AGM.

	Meeting	Votes for	% of votes for	Votes against	% of votes against	Votes withheld
Approval of Directors' Remuneration Policy	18 April 2023	14,041,945	92.61%	1,120,232	7.39%	1,501
Approval of Directors' Remuneration Report	18 April 2023	14,727,185	97.52%	375,228	2.48%	61,265

We continue to engage on Executive remuneration, seeking to strike the right balance of interest among all shareholders.

Directors' Remuneration Policy

The current Directors' Remuneration Policy, set out in this section of the Remuneration Committee Report, was approved by shareholders at the AGM on 18 April 2023. A copy of the Policy is available in the Corporate Governance section of the Company's investor relations website corporate.xppower.com. The information in this section is not subject to audit.

Any change to the Policy will be subject to a binding shareholder vote at a general meeting.

How our Remuneration Policy links to the UK Corporate Governance Code

When the current Policy was developed, the Committee was mindful of the UK Corporate Governance Code, ensuring that the Executive Director remuneration framework continues to appropriately address the following factors:

Factors	How these are addressed
Clarity	• Our Directors' Remuneration Policy, approved by shareholders in April 2023, is transparent and clearly articulated in the Annual Report.
Simplicity	• The Committee believes that the Executive Director remuneration arrangements are market standard, straightforward and well understood by both participants and shareholders.
Risk	• The Committee's target setting approach seeks to discourage inappropriate risk taking through a blend of shareholder return, financial and non-financial objectives. • Our Policy contains appropriate discretion to mitigate potential risks, we operate bonus deferral and post-cessation shareholding requirements. Malus and clawback provisions also apply to the annual bonus plan, LTIP and RSP.
Predictability	• Executive Directors' incentives are subject to individual participation caps. An indication of the range of outcomes in the packages is provided on page 144. • Deferred bonus, RSP and LTIP awards provide alignment with the share price and their values will depend on share price at the time of vesting.
Proportionality	• A clear link exists between individual awards, delivery of strategy and our long-term performance. Our Policy contains appropriate discretion by the Committee to not reward poor performance.
Alignment to culture	• Pay and policies cascade down the organisation to ensure they are fully aligned with the XP Power culture.

The policy table

The objectives of the Remuneration Policy are to:

- reward employees and Executive Directors appropriately for the work they do (base salary);
- provide market competitive remuneration packages to enable retention or recruitment (base salary plus benefits);
- incentivise employees and Executive Directors to perform at their best consistently (bonus/long-term incentive plan/restricted share plan);
- align shareholders' and senior management's interests (bonus in shares, long-term incentive plan/restricted share plan and shareholding guidelines); and
- retain key staff (long-term structures with delayed vesting).

REMUNERATION COMMITTEE REPORT CONTINUED

The Directors' Remuneration Policy approved by shareholders at the 2023 AGM is set out in full below:

Purpose	Operation	Opportunity	Applicable performance measures
Base salary To help recruit, retain and motivate high-performing Executives. Reflects the individual experience, role and importance of the Executive Director to the business.	Base salaries are set by the Remuneration Committee and normally reviewed annually. Increases are effective from 1 April, although increases may be awarded at other times if the Remuneration Committee considers it appropriate. A market benchmarking exercise will be undertaken periodically as determined by the Remuneration Committee to ensure that base salary remains around the median of the market level for roles of a similar nature, and to reflect the individual's skills, experience and performance.	Base salaries are reviewed annually. Increases will not normally exceed the range of increases awarded to other employees within the Group. The Remuneration Committee may also increase a Director's salary if there is a change in the scope of their role, the scale or complexity of the business, or if significant changes to market practice arise, which the Remuneration Committee believes justifies a further increase in base salary.	n/a
Benefits To help recruit, retain and motivate high-performing Executives. To provide market competitive benefits.	Benefits are set by the Remuneration Committee and reviewed annually. Benefits currently received by the Executive Directors include: • Paid holidays • Life insurance • Private medical cover • Housing allowance • Car allowance Other allowances provided to the wider workforce may also be provided.	The Company provides a range of market-benchmarked benefits. The costs of these benefits may change year on year due to external costs. The Remuneration Committee has flexibility to provide benefits that would typically have been available to an Executive Director in an overseas jurisdiction when recruiting from outside of the UK.	n/a
Annual bonuses Align interests of Executive Directors and shareholders in the short and medium terms.	The annual bonus scheme participation levels (including maximum opportunities) are determined by the Remuneration Committee following the end of the year, based on performance achieved against the performance metrics set. Awards are split equally between (i) cash; and (ii) shares vesting after two years, subject to continued employment or good leaver status. Amounts equivalent to any dividends or shareholder distributions made in respect of awards at vesting, are paid at the discretion of the Remuneration Committee. The Remuneration Committee has the power to reduce unpaid annual bonuses and clawback bonuses already paid on a net basis in circumstances set out following this table.	Up to 125% of base salary for CEO and up to 100% for other Executive Directors. Executive Directors will receive 25% of the maximum award for threshold performance and 50% for on-target performance.	Specific targets and weightings may vary according to strategic priorities and may include: • Financial performance; • Attainment of personal, operational, and strategic objectives; and • Weighting will focus on Group financial performance.
Pensions Provide a basic pension benefit that would be expected for the position.	Percentage of base salary paid into a defined contribution scheme.	In line with pension benefits offered to the wider workforce in the relevant geography, which is currently 8% in the UK and 6% in Singapore.	n/a
Share-based incentives Align the interests of Executive Directors and shareholders in the long term. Incentivise long-term value creation.	Share-based incentives are made up of a Long-Term Incentive Plan (LTIP) that was approved at the 2017 AGM, and a Restricted Share Plan (RSP) that was approved at the 2020 AGM.	The normal maximum award level under share-based incentive plans is 150% of base salary or such higher amount as the Remuneration Committee in its absolute discretion may determine, up to a maximum of 200% of base salary. The 200% cap is restricted to exceptional circumstances only.	n/a
	LTIP awards may be made in the form of conditional share awards, nil or nominal cost options. The LTIP also provides for awards to be structured as stock appreciation or phantom rights, which may be suitable for awards granted in overseas jurisdictions. Performance is typically measured over three financial years starting with the year of date of grant, or any longer period as the Remuneration Committee may decide. An award will be subject to a two-year holding period.	25% of a LTIP award will vest for threshold performance.	Specific targets and weightings may vary according to strategic priorities at the start of each performance period and may include: • Financial performance (such as EPS) • Value creation (such as TSR) • Strategic objectives Weighting is expected to focus on Group financial and value creation performance measures.
	RSP awards may be granted without performance conditions. Restricted share awards normally vest five years from the date of award.	Up to a maximum of 15% of base salary may be granted as restricted shares without performance conditions. In calculating value against 150% of salary limit for share-based incentives, the value of restricted share awards will be multiplied by two to reflect that they do not have performance conditions attached.	n/a
	Clawback: The Remuneration Committee has the discretion to claw back some, or all, awards granted under share-based incentive plans by reducing unvested awards or requiring the return of the net value of vested awards to the Company in circumstances set out following this table. Amounts equivalent to any dividends or shareholder distributions made in respect of awards at vesting, are paid at the discretion of the Remuneration Committee.	n/a	n/a

REMUNERATION COMMITTEE REPORT CONTINUED

Purpose	Operation	Opportunity	Applicable performance measures
Shareholding (minimum) Align the interests of Executive Directors and shareholders in the long term.	To build a minimum shareholding equivalent to two years' salary. Directors have a period of five years from appointment to achieve this.	n/a	n/a
Post-employment shareholding Align the interests of Executive Directors and shareholders in the long term.	Post cessation, Executive Directors must hold shares equivalent to 200% of salary for the first year and 100% of salary for the second year or, if their holding is lower than this at cessation, the value of their holding at the point of cessation. The Committee will ensure the application of this requirement through a signed agreement with the Executive. Shares that have been, or are in future, purchased by Executives will not be subject to restrictions on sale. Deferred bonus shares in their deferral period and vested LTIP awards that are still in their holding period will be counted against the percentage requirement on a net of tax basis.	n/a	n/a
Non-Executive Directors' fees Fees are set at a level that is sufficient to attract, motivate and retain quality Non-Executive Directors.	Fees are reviewed periodically. The Board (excluding the Non-Executive Directors) are responsible for setting Non-Executive Directors' fees. Non-Executive Directors are not entitled to participate in the Group's incentive plans.	The total amount of Non-Executive Directors' fees shall not exceed that approved by shareholders at a General Meeting (currently £600,000 in accordance with the Articles).	n/a

Use of discretion

The Company's incentive plans including the annual bonus scheme, share option scheme, LTIP and RSP will be operated within the rules of the relevant scheme, together with all applicable laws and regulations. The Remuneration Committee may operate the discretion contained in the relevant plan in order to facilitate its administration and operation. Discretion includes (but is not limited to):

- who is invited to participate or receive awards, the size and timing of awards or payments;
- the setting of appropriate performance measures and targets from year to year, and any adjustment of these considering market conditions;
- the annual review of performance against targets for the determination of bonuses and awards;
- the determination of vesting and performance periods; and
- the treatment of leavers, and discretion when dealing with adjustments for corporate events (such as changes in control, rights issues, de-mergers, acquisitions etc.).

Annual bonus documentation and the LTIP, subject to shareholder approval, will contain provisions to give the Committee the ability to apply discretion to adjust any formulae and workings to reduce vesting levels to ensure pay-outs fully and properly reflect overall performance and shareholder experience and in response to exceptional negative events.

Performance measures and targets

The Company's incentive plans use a range of performance measures linked to business strategy and current key priorities. Measures and weightings will be described in the respective Directors' Remuneration Report. Performance targets will be challenging yet achievable, and will require stretching out-performance to achieve the maximum. Annual bonus targets will usually be disclosed when they are no longer commercially sensitive. LTIP targets will usually be disclosed on a prospective basis where possible.

Malus and clawback

Annual bonus documentation, the LTIP and RSP, will contain provisions enabling the Committee to apply malus and clawback provisions. These allow the Committee to determine, in its absolute discretion, that an unvested award or bonus award (or part of an award) may not be permitted to vest or that the level of vesting is reduced in certain circumstances or payment back of some or all of an award is required after vesting. Where the Committee acts fairly and reasonably to determine within a period not exceeding three years from the determination of an award that:

- a serious breach of the Company's code of ethics has arisen; or
- a serious health and safety issue has occurred; or
- the award holder has participated in, or was responsible for, conduct that has resulted in significant losses to the Group; or
- the award holder has failed to meet appropriate standards of fitness and propriety resulting in a material negative effect on the Group; or
- the award holder has committed material wrongdoing or has breached the terms of their employment contract in such manner as would result in a potentially fair reason for dismissal; or
- there was a material error in determining whether an award should be made, in determining the size or nature of the award or the extent to which it has vested,

it may require any unvested awards held by the award holder to lapse in whole or in part immediately, and/or may require the award holder to repay the Company the after-tax value of some or all vested awards received during that period, in such form as it may determine.

Malus and clawback will continue to apply to any awards held by leavers and those vesting in connection with corporate events/changes in control. The Committee has the right to apply the malus provision to an individual or on a collective basis. It shall also (acting reasonably and in good faith) determine the amount or award subject to clawback.

Legacy commitments

The Committee reserves the right to honour any legacy remuneration arrangements including those made under a previously approved Directors' Remuneration Policy.

Approach to Executive recruitment

In the event of the recruitment of a new Executive Director, the Remuneration Committee would consider the structure and levels of the remuneration for existing Directors and prevailing market practice, together with the skills and value it believed the new Director would bring to the Company. It is, therefore, expected that a new Director's package would include the same elements as existing Directors and the maximum level of variable remuneration for annual bonus and LTIP would be capped as it is for existing Executive Directors. Depending on the timing of any appointment, the performance measures and targets used for incentive purposes may differ from existing Executive Directors for the first performance cycle. The Committee may agree to meet any relocation expenses or other benefit arrangements if considered in the best interests of shareholders. In addition, the Remuneration Committee will have discretion to make payments or awards to buy out incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the previous table, and may exercise the discretion available under Listing Rule 9.4.2R if necessary to do so. In doing so, the Remuneration Committee will seek, to the best possible extent, to do no more than match the fair value of the awards forfeited, considering the applicable performance conditions, likelihood of those conditions being met and proportion of the applicable vesting period remaining. Where an Executive Director appointment is an internal candidate, the Remuneration Committee will honour any pre-existing remuneration obligations or outstanding variable pay arrangements that relate to the individual's previous role. The Remuneration Committee retains the discretion to offer appropriate remuneration outside the standard policy where an interim appointment is made to fill an Executive role on a short-term basis or where exceptional circumstances require that the Chair or a Non-Executive Director takes on an Executive function.

REMUNERATION COMMITTEE REPORT CONTINUED

Executive Directors' contracts

The Executive Directors' contracts run for an indefinite period, with the Company able to terminate the contracts without cause giving 12 months' notice. When a Director is terminated without cause, the Director is entitled to a termination payment of 12 months' basic pay. Directors' service contracts are available for inspection at the Company's AGM. Directors can terminate the contracts giving 12 months' notice.

The Executive Director may, at the discretion of the Committee, remain eligible to receive a bonus award for the financial year that they cease to be an employee in, if the Committee has decided that good leaver terms should apply. Any such bonus will be determined by the Committee considering time in employment and performance. Any deferred bonus and share-based incentives will be subject to the leaver terms in the respective plan rules.

The Committee may determine it appropriate to provide reasonable outplacement support to a departing Executive Director, the reimbursement of legal advice at the expense of the Company and any payments required by statute.

Leaver provisions

The table below outlines the treatment of outstanding share awards under the short and long-term incentive plans for "good" and "bad" leavers, and in circumstances where the Company undergoes a change of control. A "good" leaver will generally mean an Executive Director who ceases to be an employee for any of the following reasons: death, retirement, injury or disability, the employing company ceasing to be part of the Group, redundancy, or any other reason, subject to Remuneration Committee discretion. A "bad" leaver will generally mean any leaving scenario that is not provided for under the good leaver definition.

Type of leaver	Deferred Bonus Plan	Long-Term Incentive Plan	Restricted Share Plan
Good leaver	Where a participant ceases to be an employee before the end of the deferral period, awards will vest in full on the date of cessation.	Where a participant ceases to be an employee during the first three years of the performance period, the number of shares vesting will be subject to a pro-rata reduction by reference to relevant performance achievement, and the period elapsed between the award date and date of cessation, unless the Remuneration Committee determines the reduction is not appropriate. Shares will vest at the end of the vesting period (five years from grant) or such earlier date as the Remuneration Committee determines. Where a participant ceases employment after the first three years of the performance period, no pro-rating will apply but awards will vest on the fifth anniversary of the award grant unless the Remuneration Committee exercises its discretion to permit earlier vesting.	Where a participant ceases to be an employee during the first three years of the restricted period, the number of shares vesting will be subject to a pro-rata reduction by reference to the period elapsed between the award date and the date of cessation, unless the Remuneration Committee determines the reduction is not appropriate. Shares will vest at the end of the vesting period (five years from grant) or such earlier date as the Remuneration Committee determines. Where participants cease employment after the first three years of the restricted period, no pro-rating will apply but awards will vest on the fifth anniversary of the grant of the award unless the Remuneration Committee exercises its discretion to permit earlier vesting.
Bad leaver	Where a participant ceases to be an employee before the end of the deferral period, awards will lapse in full on the date of cessation. The Committee retains discretion to override this rule in whole or in part except in circumstances where the participant is dismissed for reason of misconduct.	Where a participant ceases to be an employee during the first three years of the performance period, all outstanding shares will lapse immediately on cessation. Where participants cease employment after the first three years of the performance period, awards will vest on the fifth anniversary of the grant of the award or such earlier date as the Committee may determine, except in circumstances where the participant is dismissed.	Where a participant ceases to be an employee during the first three years of the restricted period, all outstanding shares will lapse immediately on cessation. Where participants cease employment after the first three years of the restricted period, awards will vest on the fifth anniversary of the grant of the award or such earlier date as the Committee may determine, except in circumstances where the participant is dismissed.
Change of control	On a change of control of the Company during the deferral period, awards will vest in full on the date of the event.	On a change of control of the Company prior to the vesting date of an LTIP award (the fifth anniversary of grant), an award will vest on the date of the event and the Remuneration Committee has the discretion to determine the number of shares vesting by assessing the achievement of the relevant performance conditions and apply a pro-rata reduction based on the proportion of the performance period elapsed at the time of the event, unless it determines a pro-rata reduction is not appropriate.	On a change of control of the Company prior to the vesting date of an RSP award, an award will vest on the date of the event over such number of shares as the Committee determines, considering the time elapsed since the grant date and any other factors considered relevant.

The Remuneration Committee has the discretion to permit acceleration of vesting and to disapply pro-rating.

Non-Executive Directors' contracts

The Non-Executive Directors' contracts run for an indefinite period, with the Company being able to terminate contracts without cause giving 12 months' notice. If the shareholders do not re-elect a Non-Executive Director, or they are retired from office under the Articles, their appointment terminates automatically with immediate effect and without compensation. In accordance with the Code, Non-Executive Directors will typically not serve more than nine years. Non-Executive Directors are not entitled to share-based incentives or pensions.

Shareholder consultation

The Remuneration Committee's policy is to consult with major shareholders on significant Executive remuneration decisions. The development of this Policy was subject to shareholders and proxy agency adviser consultations. Feedback from any engagement is considered by the Committee on a timely basis.

More generally, the Committee is kept updated on the latest guidance from the proxy agency and major institutional shareholders.

Statement of consideration of employment conditions elsewhere in the Company

Pay and conditions throughout the Group are considered when setting the Remuneration Policy. The Committee will be regularly informed of remuneration trends and issues throughout the workforce, keeping this in mind when determining the Policy for Executive Directors.

REMUNERATION COMMITTEE REPORT CONTINUED

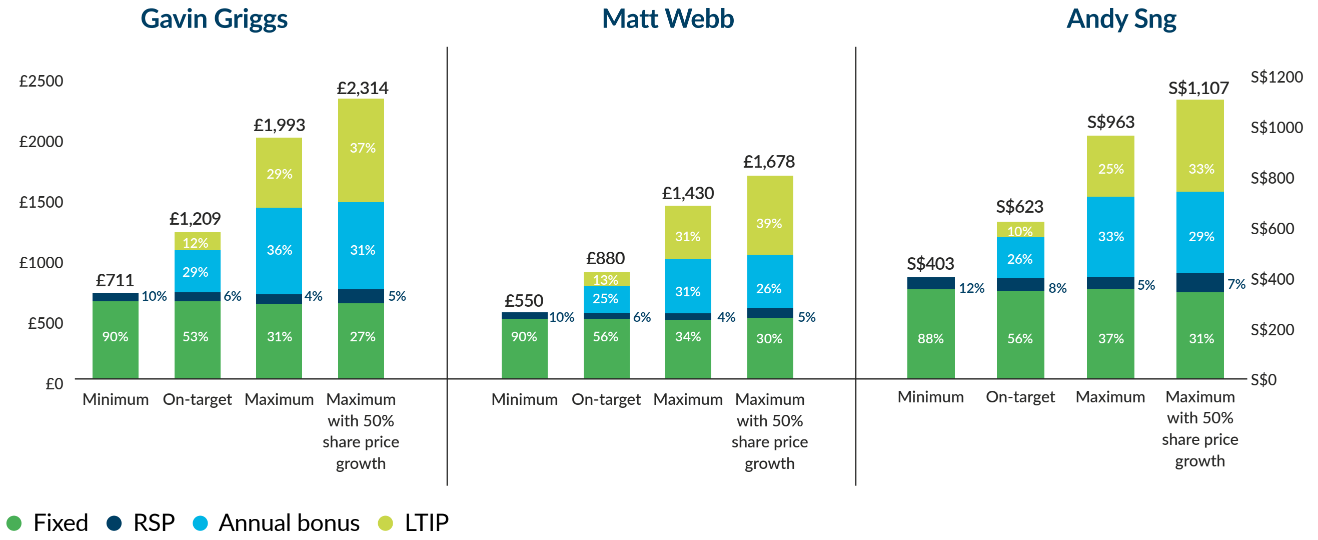
Fixed pay is set for wider employees in a similar way to that for the Executive Directors, albeit in some locations pay is subject to local regulatory compliance. The use of incentive pay will vary across the business and any performance measures used will reflect the nature of the specific role and its location.

The Remuneration Committee does not consult directly with other employees when setting Executive Director remuneration. However, the Remuneration Committee Chair is also the designated Non-Executive Director responsible for workforce engagement and has conducted several activities that have included the opportunity to discuss Executive remuneration with employees.

Illustration of the application of the Directors' Remuneration Policy

The charts below give an indication of the level of remuneration that would be received by each Executive in accordance with the approved Directors' Remuneration Policy.

All figures are shown in thousands.



The charts above illustrate the value of the remuneration package for each Executive in 2024, under four scenarios:

- Minimum: Fixed pay (consisting of base salary, benefits and pension) and full vesting under the RSP
- On-target: Fixed pay, full vesting under the RSP, on-target outturn under the annual bonus (50% of maximum) and threshold vesting under the LTIP (25% of maximum)
- Maximum: Fixed pay, full vesting under the RSP, maximum outturn under the annual bonus and full vesting under the LTIP
- Maximum (with 50% share price growth): As shown in the "maximum" scenario, with 50% share price appreciation assumed for the RSP and LTIP

For the purposes of the charts above, the fixed elements of remuneration are as follows (on annualised basis):

Position	Name	Base salary (effective April 2024)	Benefits (as per FY23)	Pension	Total fixed pay
Chief Executive Officer	Gavin Griggs	**£570,000**	£23,700	£45,600	£639,300
Chief Financial Officer	Matt Webb	**£440,000**	£20,000	£35,200	£495,200
Executive Vice President, Asia	Andy Sng	**S$320,000**	S$17,700	S$17,340	S$355,040

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2023 (Directors' Report). Certain disclosure requirements for inclusion in the Directors' Report have been incorporated by way of cross-reference to content elsewhere in the Annual Report and referenced below. In addition, this report should be read in conjunction with:

- Greenhouse Gas emissions reported information – Sustainability Report, pages 67–70.
- Energy consumption information – Sustainability Report, page 69.
- Gas emissions, energy consumption and energy efficiency (other disclosures) – Sustainability Report, pages 67–70.
- For the purposes of Listing Rule (LR) 9.8.6R(8), information on climate-related financial disclosures consistent with the TCFD recommendation and the TCFD recommended disclosure – pages 82–89.
- Further details of the actions that the Group is taking to reduce emissions – Sustainability Report, pages 26–33.
- Group employees reported information – Sustainability Report, pages 73–79.
- Information concerning employee share schemes – Note 30, pages 196–202.
- Corporate Governance Report – pages 98–109.
- The Group's key activity in R&D – Chief Executive Officer's Review, page 37.

The Company's business activities, together with factors that potentially affect its future development, performance, or position, can be found in the Strategic Report on pages 12–89.

Details of the Company's financial position and its cash flows are outlined in the Chief Financial Officer's Review on pages 44–50.

The Long-term Viability Statement, and information on the appropriateness of adopting the going concern basis of the accounts, can be found on page 60.

Our approach to risk management is outlined on pages 52–59.

Information required to be disclosed by Listing Rule (LR) 9.8.4R can be found in the following Annual Report locations:

Listing Rule Section	Topic	Location and page
(1)	Capitalised interest	Note 6 to the Group's Consolidated Financial Statements on page 179. Related tax relief is not material.
(2)	Publication of unaudited financial information	Nothing to disclose
(4)	Details of long-term incentive plans established specifically to recruit or retain a director	Nothing to disclose
(5) (6)	Waiver of emoluments by a director of the company	Nothing to disclose
(7) (8)	Allotments for cash of ordinary shares	Note 27 to the Group's Consolidated Financial Statements on pages 193–194 and Note 48 to the Company Balance Sheet on page 217. Other disclosures on pages 50 and 147
(9)	Parent participation in a placing by a listed subsidiary	Nothing to disclose
(10)	Contracts of significance	Nothing to disclose
(11) (14)	Controlling shareholder disclosures	Nothing to disclose
(12) (13)	Dividend waiver	Directors' Report on page 146

DIRECTORS' REPORT CONTINUED

Other statutory disclosures

Areas for disclosure		Location of details in the Annual Report and Accounts
(1)	Directors	Director Biographies on pages 96–97 Nomination Committee Report on pages 110–115
(2)	Employee engagement and business relationships	Pages 73–79
(3)	Financial risks	Note 31, pages 203–209
(4)	Future developments	Strategic Report on pages 12–89
(5)	Greenhouse gas emissions	Sustainability Report on pages 68–69
(6)	Post balance sheet events	N/A
(7)	Reporting under Section 172 Companies Act and engagement with stakeholders	Pages 62–63
(8)	Viability Statement	Page 60

Dividends

XP Power previously had a policy of declaring quarterly dividends. A first-quarter dividend of 18.0p per share was paid on 13 July 2023 to shareholders on the register at 16 June 2023. In the announcement made on 6 October 2023, the second-quarter dividend was cancelled and it was confirmed that the Board intends that no further dividends would be paid in respect of the 2023 financial year. The importance of dividends is recognised, and the Group will recommence paying dividends as soon as appropriate.

The trustee of the Employee Benefit Trust has waived its right to dividends paid on any ordinary shares it holds on the terms of the Employee Benefit Trust in respect of the period covered by the financial statements and future periods. Such waivers represent less than 1% of the total dividend payable on the Company's ordinary shares.

Directors and Directors' interests

The Company's Articles of Association (the Articles) give the Directors power to appoint and replace Directors. Under the Nomination Committee's Terms of Reference, any appointment must be recommended by the Nomination Committee for Board approval. Shareholders may by ordinary resolution of which special notice has been given in accordance with section 152 of the Act remove any Director before the expiration of their period of office.

Directors of the Company in office at 31 December 2023, and at the date of this report, together with their biographical details, are shown on pages 96–97. In addition, James Peters served as Chair until his retirement at the AGM on 18 April 2023 and Oskar Zahn served as CFO until 31 March 2023. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 142 and 143.

The present Board membership and interests of the Directors in the shares of the Company are set out in the Directors' Remuneration Report. No Director had any dealings in the shares of the Company between 31 December 2023 and the date of this report.

In line with the 2018 UK Corporate Governance Code, each Director will be standing for re-election at the forthcoming AGM.

The Company business, including in relation to the allotment and issuance of ordinary shares, is managed by the Board, which may exercise all the powers of the Company subject to the Company's Articles, any directions given by the Company by special resolution and any relevant statutes and regulations. A summary of Matters reserved for the Board are details on page 109 of the Corporate Governance Report.

Liability insurance and indemnities

The Company has agreed to indemnify, to the extent permitted by law, each Director against any liability incurred in respect of acts or omissions arising during their office. Each Director is covered by appropriate directors' and officers' liability insurance, at the Company's expense.

Share capital and capital structure

At the date of this report, the total share capital of the Company was 23,689,254 ordinary shares, of which 7,500 were held in treasury. Therefore, the total voting rights in the Company are 23,681,754. Ordinary shareholders are entitled to receive notice of, and to attend and speak at, general meetings. On a show of hands, every shareholder present in person or by proxy (or a duly authorised corporate representative) shall have one vote and, on a poll, every member present in person or by proxy (or a duly authorised corporate representative) shall have one vote for every share held by that member. The rights and obligations attached to the ordinary shares are governed by the Articles and prevailing legislation. There are no other classes of share capital.

There are no restrictions on the voting rights attached to the Company's ordinary shares or on the transfer of shares in the Company. No shareholder holds shares in the Company that carry special rights or control of the Company's share capital. The Directors are not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

Power to issue and allot

At the AGM held on 18 April 2023, Directors were given authority to allot unissued shares in the Company up to a maximum amount equivalent to approximately one-third of the issued share capital, excluding shares held in treasury, for general purposes, plus up to a further one-third of the Company's issued share capital, excluding shares held in treasury, but only in the case of a rights issue.

Directors were also granted additional powers at the 2023 AGM to allot new shares in the Company for cash (i) up to an aggregate nominal value of £19,734.79 (being approximately 10% of the Company's then issued ordinary share capital); and (ii) up to a further aggregate nominal value of £19,734.79, in each case without regard to the pre-emption rights, provided that the authority under (ii) can only be used in connection with of acquisitions or capital investments.

These authorities expire on the date of the 2024 AGM, where the Directors propose to renew them for a further year. The Directors have no current intention of exercising these authorities, if granted, other than to satisfy the exercise of options or vesting of awards under the Company's employee share schemes.

On 6 November 2023, the Company announced a non-pre-emptive placing (the Placing) and a separate retail offer (the Retail Offer) (together the Fundraise) at a fixed price of 1,150p per new ordinary share, which represented a premium of approximately 6.1% to the closing middle market price on 3 November 2023, being the last practicable date prior to the publication of the announcement of the Fundraise. The results of the Fundraise were announced on 7 November 2023, and the Company issued and allotted a total of 3,946,958 ordinary shares, comprising 3,816,524 new ordinary shares as part of the Placing and 130,434 new ordinary shares as part of the Retail Offer (together the Offer Shares), which represented approximately 19.99% of the Company's issued ordinary share capital. Settlement for the Offer Shares and Admission to trading on the main market for listed securities of the London Stock Exchange took place on 9 November 2023. In aggregate, the Fundraise raised gross proceeds of approximately £45.4 million and net proceeds of approximately £44.0 million.

Soft pre-emption (which seeks where possible to replicate the existing shareholder base) was adhered to in the allocations process for the Placing. Management was involved in the allocations process, which was carried out in compliance with the MiFID II Allocation requirements. Allocations made outside of soft pre-emption were preferentially directed towards existing shareholders in excess of their pro rata interests, and wall-crossed accounts. The Fundraise included the Retail Offer, for a total of 130,434 Retail Offer Shares, via the PrimaryBid platform, alongside the Placing. Retail investors, who participated in the Retail Offer, were able to do so at the same Placing Price as all other investors participating in the Fundraise. The Retail Offer was made available to existing shareholders and new retail investors in the UK. Investors were able to participate through PrimaryBid's platform via its partner network (covering 60+ FCA registered intermediaries) and through PrimaryBid's free-to-use direct channel. Investors had the ability to participate in this transaction through ISAs and SIPPs, as well as General Investment Accounts (GIAs). This combination of participation routes meant that, to the extent practicable on the transaction timetable, eligible UK retail investors had the opportunity to participate alongside institutional investors. Allocations in the Retail Offer were preferentially directed towards existing shareholders in keeping with the principle of soft pre-emption.

DIRECTORS' REPORT CONTINUED

Authority to purchase own shares

At the 2023 AGM, shareholders gave the Company authority to make market purchases of up to 10% of the Company's then issued ordinary share capital. Any shares purchased in this way could either be cancelled or held in treasury (or a combination of these). No purchases have been made under this authority. The Directors propose to seek an equivalent authority at the 2024 AGM, but, if granted, have no current intention of using this authority.

Annual General Meeting

Details of the Company's AGM and the proposed resolutions will be set out in a separate Notice of Meeting.

Independent Auditor

Our Auditor, PwC LLP, has indicated their willingness to continue in office, and on Audit Committee recommendation, resolutions to reappoint PwC LLP as Auditor and to authorise the Directors to determine the Auditor's remuneration will be proposed at the forthcoming AGM.

Articles of association

Any amendments to the Articles of Association of the Company may be made by special resolution of the shareholders.

Significant contracts and change of control

The Group has borrowing facilities that may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out change in control consequences of the Company on participants' rights under the plans. Awards may vest, becoming exercisable on a change of control subject to the satisfaction of performance conditions and in accordance with the rules of the plan.

None of the Executive Directors' service contracts contain provisions that are affected by a change of control and there are no other agreements that the Company is party to that take effect, alter, or terminate in the event of a change of control of the Company, which are considered to be significant in terms of their potential impact on the Group. The Company does not have any contractual or other arrangements that are essential to the business of the Group.

Political and charitable donations

The Group did not make any political donations or incur any political expenditure during the year. See page 79 for charitable donations information.

Financial risk management

The Group's exposure to, and management of, capital, liquidity, credit, interest rate and foreign currency risks are contained in Note 31 on pages 203–209.

Mandatory XBRL tagging

The Board reviewed the process developed to ensure that the primary financial statements and the notes to the financial statements, had been tagged in line with required taxonomy.

Post-balance sheet events

There were no material post-balance sheet events that were required to be disclosed.

Signed on behalf of the Board by:

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

4 March 2024

XP Power Limited
19 Tai Seng Avenue
#07-01
Singapore 534054

Company Registration Number: 200702520N, registered in Singapore.

DIRECTORS' RESPONSIBILITIES STATEMENT

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Group Financial Statements and a Parent Company balance sheet for each financial year. Under that law, the Directors have prepared the Group Financial Statements in accordance with International Accounting Standards and the Parent Company balance sheet in accordance with Singapore Financial Reporting Standards (International) 'SFRS(I)s and applicable law.

The Group has also prepared Financial Statements in accordance with International Financial Reporting Standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company, and of the profit or loss of the Group for that period. In preparing the Group and Parent Company balance sheet, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable International Accounting Standards and International Financial Reporting Standards have been followed for the Group Financial Statements and Singapore Financial Reporting Standards (International) "SFRS(I)s" have been followed for the Parent Company balance sheet, subject to any material departures disclosed and explained in the Financial Statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding Group and Parent Company assets, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company, enabling them to ensure that the Financial Statements and the Directors' Remuneration Report comply with relevant legislation.

The Directors are responsible for the maintenance and integrity of the Company's website.

Singapore legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. For details of the process followed to enable the Board to make this statement, please refer to the Audit Committee report on page 118.

Responsibility statement of the Directors in respect of the Annual Financial Report

Each of the Directors, whose names and functions are listed in the Annual Report and the Financial Statements confirm that, to the best of their knowledge:

- that the balance sheet of the Company and consolidated financial statements of the Group, as set out on pages 157–222, are drawn up in accordance with the applicable set of accounting standards, to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the financial year ended 31 December 2023; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principle risks and uncertainties they face.

The Directors' Report, together with the Strategic Report on pages 12–89, which forms the Management Report for the purposes of Financial Conduct Authority Disclosure Guidance and Transparency Rules (DTR 4.1.8), was approved by the Board on 4 March 2024 and is signed on its behalf by:

JAMIE PIKE
CHAIR

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

4 March 2024

OUR
FINANCIALS

OUR FINANCIALS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XP POWER LIMITED

Report on the Audit of 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 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IFRSs as issued by the IASB"), 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 2023, 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 income statement of the Group for the financial year ended 31 December 2023;
- The consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2023;
- The consolidated balance sheet of the Group as at 31 December 2023;
- The balance sheet of the Company as at 31 December 2023;
- 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 material accounting policy information.

Basis for 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 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 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 £1.1 million. The overall materiality applied to the audit of the Company balance sheet amounted to £0.8 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 84% of Group revenues and 97% of Group assets.

Key Audit Matters

We identified the following key audit matters:

- Goodwill; and
- Capitalised product development costs.

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 £0.1 million to £0.9 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 adjusted 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 £0.1 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.

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 CONTINUED

Key audit matters	How did our audit address these
Goodwill	
Refer to page 119 (Audit Committee Report), page 174 (Critical accounting estimates, assumptions and judgements – Recoverable amount of cash-generating units for goodwill impairment assessment) and pages 182-183 (Note 11 – Goodwill). The Group has goodwill of £75.6 million at 31 December 2023 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 represents 17% of total assets, and because of the significant judgements used to estimate key assumptions applied in computing the recoverable amounts of different CGUs for the purpose of impairment assessment. Key assumptions include future revenue growth rate, terminal growth rate and discount rate. The Group has also assessed the impact of climate change on the assumptions used in goodwill impairment assessment and disclosed them in Note 11 to the financial statements.	We inquired and evaluated management's definition of CGUs. We assessed the reasonableness of management's assumptions used to compute the recoverable amounts of the CGUs by: • Reviewing historical revenue and cost trends; • Inquiring management's future plans for growth and cost optimisation; • Benchmarking key market-related assumptions with relevant economic and industry indicators; • Reviewing forecasted capital expenditure to management's budget and plans; • Benchmarking terminal growth rate with forecasted long-term growth rates of each region; and • Computing independent discount rates. We reviewed management's sensitivity analysis which considers reasonably possible changes to key assumptions, including unfavourable changes to assumptions arising from climate change. Based on the above, no exceptions were noted.
Capitalised product development costs	
Refer to page 119 (Audit Committee Report), page 173 (Critical accounting estimates, assumptions and judgements – Capitalisation of product development costs, Recoverable amount of capitalised product development costs, Useful lives of capitalised product development costs and start date for amortisation) and page 184 (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 2023, the carrying amount of capitalised product development costs is £30.6 million, of which £9.4 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 7% 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 and start date for amortisation as areas involving significant judgement. The carrying amount of the capitalised product development costs is heavily dependent on the useful lives of the developed products and start date of amortisation. Management has 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. Management takes the view that amortisation should start when product is capable of operation in a manner intended by management, with the use of established principals.	We assessed the appropriateness of capitalisation of product development costs by challenging management through discussions and qualitative reviews of the products' technical and commercial feasibility. We also tested the accuracy and allocation of capitalised material costs and labour costs. We reviewed management's impairment assessment on capitalised product development costs and verified inputs such as historical sales, unfulfilled customer orders and correspondences with customers on forecasted demand and future plans. We also reviewed the business cases of products in development and verified that the growth assumptions applied are not unreasonable. We also 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. We assessed the appropriateness of the start date for amortisation by challenging management through discussions and quantitative review of the products' historical sales. Based on the above, no exceptions were noted.

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 149, in relation to going concern.

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's base case and downside scenarios, understanding and evaluating the key assumptions;
- Assessment of the historical accuracy and reasonableness of management's forecasting;
- Consideration of the Group's available financing and debt maturity profile;
- Testing of the mathematical integrity of management's liquidity headroom, sensitivity and stress testing calculations; and
- Review of the disclosures in the Annual Report in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 60. 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 11, "Strategic Report" section set out on pages 12 to 89, "Governance" section set out on pages 90 to 149, and the "Financials" section on page 224 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, SFRS(I)s and IFRSs as issued by the IASB, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XP POWER LIMITED CONTINUED

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 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.
- 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 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 financial statements, including the disclosures, and whether the 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 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 Gregory Andrew Unsworth.

PRICEWATERHOUSECOOPERS LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS

4 March 2024

Singapore

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

£ m	Note	Adjusted	Adjustments (see Note 4)	2023	Adjusted	Adjustments (see Note 4)	2022
Revenue	4	**316.4**	**–**	**316.4**	290.4	–	290.4
Cost of sales	7	**(185.1)**	*****	**(185.1)**	(169.8)	–	(169.8)
Gross profit		**131.3**	*****	**131.3**	120.6	–	120.6
Other Income		**–**	**–**	**–**	–	–	*
Expenses							
Distribution and marketing	7	**(63.5)**	**(6.1)**	**(69.6)**	(54.1)	(4.1)	(58.2)
Administrative	7	**(3.3)**	**(7.4)**	**(10.7)**	(3.3)	(55.3)	(58.6)
Research and development	7	**(26.4)**	**(0.1)**	**(26.5)**	(20.3)	(7.6)	(27.9)
Operating profit/(loss)		**38.1**	**(13.6)**	**24.5**	42.9	(67.0)	(24.1)
Net finance expense	6	**(11.5)**	**(1.8)**	**(13.3)**	(4.9)	(1.2)	(6.1)
Profit/(loss) before tax		**26.6**	**(15.4)**	**11.2**	38.0	(68.2)	(30.2)
Taxation	8	**(9.8)**	**(10.4)**	**(20.2)**	(6.1)	16.7	10.6
Profit/(loss) for the year		**16.8**	**(25.8)**	**(9.0)**	31.9	(51.5)	(19.6)
Attributable to:							
Equity shareholders				**(9.2)**			(20.0)
Non-controlling interests				**0.2**			0.4
Loss for the year				**(9.0)**			(19.6)
Earnings per share (pence):							
Basic earnings/(loss) per share	10	**81.9**	**(127.3)**	**(45.4)**	160.6	(262.6)	(102.0)
Diluted earnings/(loss) per share	10	**81.8**	**(127.1)**	**(45.3)**	160.1	(261.7)	(101.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
Loss for the year	**(9.0)**	(19.6)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(5.3)**	7.2
	(5.3)	7.2
Items that will not be reclassified subsequently to profit or loss:		
Currency translation differences arising from consolidation	*****	*
Other comprehensive (loss)/profit for the year, net of tax	**(5.3)**	7.2
Total comprehensive loss for the year	**(14.3)**	(12.4)

* Balance is less than £100,000.

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

£m	Note	2023	2022
ASSETS			
Current assets			
Cash and bank balances	16	**12.0**	22.3
Inventories	17	**91.6**	114.4
Trade receivables	18	**43.1**	42.4
Bond receivable	25	**36.7**	37.0
Other current assets	19	**8.1**	8.0
Derivative financial instruments	23	**–**	*
Current income tax receivable		**0.5**	2.5
Total current assets		**192.0**	226.6
Non-current assets			
Cash and bank balances	16	**1.4**	1.1
Goodwill	11	**75.6**	77.5
Intangible assets	12	**63.1**	69.9
Property, plant and equipment	13	**59.5**	36.6
Right-of-use assets	14	**54.0**	54.9
Deferred income tax assets	26	**0.7**	15.1
ESOP loan to employees		*****	*
Other investment		*****	*
Total non-current assets		**254.3**	255.1
Total assets		**446.3**	481.7
LIABILITIES			
Current liabilities			
Current income tax liabilities		**5.0**	4.8
Trade and other payables	20	**48.3**	52.6
Derivative financial instruments	23	**–**	0.1
Lease liabilities	22	**1.4**	2.4
Provisions	24	**44.9**	46.1
Borrowings	22	**0.4**	0.2
Total current liabilities		**100.0**	106.2
Non-current liabilities			
Accrued consideration	21	**1.7**	1.5
Borrowings	22	**125.7**	174.2
Deferred income tax liabilities	26	**9.3**	10.5
Provisions		**1.0**	0.9
Lease liabilities	22	**53.3**	48.9
Total non-current liabilities		**191.0**	236.0
Total liabilities		**291.0**	342.2
NET ASSETS		**155.3**	139.5
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	27	**71.2**	27.2
Merger reserve	27	**0.2**	0.2
Share-based payments reserve	27	**2.1**	2.5
Treasury shares	27	*****	*
Translation reserve	27	**(0.9)**	4.2
Other reserve	27	**7.6**	6.1
Retained earnings		**74.4**	98.4
		154.6	138.6
Non-controlling interests		**0.7**	0.9
TOTAL EQUITY		**155.3**	139.5

* 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 2023

		Attributable to equity holders of the Company									
£m	Note	Share capital	Share-based payments reserve	Treasury shares reserve	Merger reserve	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2022		27.2	5.6	*	0.2	(2.9)	4.4	137.0	171.5	0.9	172.4
Exercise of share-based payment awards		–	(1.8)	*	–	–	1.8	–	*	–	*
Share-based payment expenses		–	0.1	–	–	–	–	–	0.1	–	0.1
Tax on share-based payment expenses		–	(1.5)	–	–	–	–	–	(1.5)	–	(1.5)
Dividends paid	9	–	–	–	–	–	–	(18.6)	(18.6)	(0.4)	(19.0)
Acquisition of non-controlling interest		–	–	–	–	–	*	–	*	*	–
Future acquisition of non-controlling interest		–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Exchange difference arising from translation of financial statements of foreign operations		–	0.1	–	–	7.1	–	–	7.2	*	7.2
(Loss)/profit for the year		–	–	–	–	–	–	(20.0)	(20.0)	0.4	(19.6)
Total comprehensive income/(loss) for the year		–	0.1	–	–	7.1	–	(20.0)	(12.8)	0.4	(12.4)
Balance at 31 December 2022		**27.2**	**2.5**	*	**0.2**	**4.2**	**6.1**	**98.4**	**138.6**	**0.9**	**139.5**
Exercise of share-based payment awards		–	(1.2)	*	–	–	1.6	*	0.4	–	0.4
Share-based payment expenses		–	1.1	–	–	–	–	–	1.1	–	1.1
Tax on share-based payment expenses		–	(0.2)	–	–	–	–	–	(0.2)	–	(0.2)
Issuance of shares		44.0	–	–	–	–	–	–	44.0	–	44.0
Dividends paid	9	–	–	–	–	–	–	(14.8)	(14.8)	(0.3)	(15.1)
Future acquisition of non-controlling interest		–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Exchange difference arising from translation of financial statements of foreign operations		–	(0.1)	–	–	(5.1)	–	*	(5.2)	(0.1)	(5.3)
(Loss)/profit for the year		–	–	–	–	–	–	(9.2)	(9.2)	0.2	(9.0)
Total comprehensive (loss)/income for the year		–	(0.1)	–	–	(5.1)	–	(9.2)	(14.4)	0.1	(14.3)
Balance at 31 December 2023		71.2	2.1	*	0.2	(0.9)	7.6	74.4	154.6	0.7	155.3

* Balance is 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 2023

£m	Note	2023	2022
Cash flows from operating activities			
Loss for the year		**(9.0)**	(19.6)
Adjustments for:			
– Taxation	8	**20.2**	(10.6)
– Amortisation and depreciation	7	**20.1**	17.6
– Net finance expense	6	**13.3**	6.1
– Share-based payment expenses	5	**1.1**	0.1
– Fair value gain on derivative financial instruments	7	**(0.1)**	(0.1)
– Loss/(gain) on disposal of property, plant, and equipment		*****	*
– Impairment loss on intangible assets	7	**2.5**	7.8
– Gain on disposal on rights-of-use of assets		**(0.1)**	–
– Unrealised currency translation loss/(gain)		**0.3**	(12.6)
– Provision for doubtful debts	31(d)	**0.1**	*
– Provision for legal dispute	24	**–**	46.9
Change in working capital, net of effects from acquisitions:			
– Inventories	28	**17.4**	(24.8)
– Trade and other receivables and other current assets	28	**(3.1)**	(9.5)
– Trade and other payables	28	**(1.8)**	0.2
– Provision for liabilities and other charges	28	**1.5**	0.6
Cash generated from operations		**62.4**	2.1
Income tax paid, net of refund		**(4.9)**	(4.1)
Net cash provided by/(used in) operating activities		**57.5**	(2.0)
Cash flows from investing activities			
Acquisition of subsidiaries		**–**	(33.0)
Purchases and construction of property, plant and equipment	13	**(30.6)**	(7.5)
Additions of product development costs	12	**(9.5)**	(8.0)
Additions of software and software under development	12	*****	(3.9)
Purchase of bond receivable	25	**–**	(36.9)
Proceeds from disposal of property, plant and equipment		**0.1**	*
Proceeds from repayment of ESOP loans		**–**	*
Interest received		**0.1**	*
Payment of accrued consideration	21	**–**	*
Net cash used in investing activities		**(39.9)**	(89.3)
Cash flows from financing activities			
Proceeds from issuance of new ordinary shares	27(a)	**44.0**	–
Proceeds from borrowings	22	**14.5**	170.3
Repayment of borrowings	22	**(55.7)**	(35.6)
Principal payment of lease liabilities	22	**(2.7)**	(5.8)
Proceeds from exercise of share-based payment awards		**0.4**	*
Interest paid	22	**(12.0)**	(5.5)
Dividend paid to equity holders of the Company	9	**(14.8)**	(18.6)
Dividend paid to non-controlling interests		**(0.3)**	(0.4)
Bank deposit pledged		**(0.4)**	(1.1)
Net cash (used in)/provided by financing activities		**(27.0)**	103.3
Net (decrease)/increase in cash and cash equivalents		**(9.4)**	12.0
Cash and cash equivalents at beginning of financial year		**22.1**	8.8
Effects of currency translation on cash and cash equivalents		**(0.7)**	1.3
Cash and cash equivalents at end of financial year	16	**12.0**	22.1

* Balance is 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 2023

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 19 Tai Seng Avenue, #07-01, Singapore 534054.

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 02–03.

2. Summary of material 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 (IFRSs) as issued by the International Accounting Standards Board (IFRSs as issued by the IASB) and Singapore Financial Reporting Standards (International) (SFRS(I)s).

All references to SFRS(I)s and IFRSs are subsequently referred to as IFRS in these consolidated financial statements unless otherwise specified.

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 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 34–39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 44–50. The principal risks of the Group are set out on pages 52–59. 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 Group has available to it a US $ denominated Revolving Credit Facility (RCF) of $255 million (£200 million). The facility matures in June 2026 and therefore is committed throughout the minimum period for which going concern is assessed, which is 12 months from the date of signing these financial statements.

At 31 December 2023, the Group had drawn down $162 million (£127 million) against this, leaving undrawn facility headroom of more than £73 million.

In late 2023, financial covenants within the RCF agreement were amended as follows as part of the Funding Plan described in the Chief Financial Officer's Review:

- Leverage ratio: Net Debt to Adjusted EBITDA of not more than 3.5x until 31 December 2024, and not more than 3.0x thereafter
- Interest cover: Adjusted EBITDA to Adjusted Net Finance Expense to not less than 3.0x until 30 September 2025, and not less than 4.0x thereafter

Both covenants are tested quarterly.

As part of its going concern review, the Group developed base and severe but plausible downside scenarios, assessing forecast liquidity and covenant compliance in each case.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Summary of material accounting policies CONTINUED

The key assumption in both forecast scenarios is revenue, particularly revenue beyond the initial six-month period for which the business already has visibility via existing sales orders. Revenue in this period, H2 2024 in this case, will be determined by, amongst other things, the assumed timing of the semiconductor equipment market upcycle and when any overstocking in the sales channel will be cleared. Other key assumptions relate to the impact of available mitigating actions and future interest rates.

Given that the Group's borrowings are US $ denominated, net debt and therefore the leverage ratio can be impacted by future movements in the US $ exchange rate. In both Cases below, the US $ exchange rate is assumed to be $1.26.

The Group's Base Case scenario is that the slowdown in revenue that commenced in mid-2023 will continue until mid-2024 before recovering thereafter as excess channel inventory is cleared and demand returns to the Semiconductor Manufacturing Equipment market. This results in a 14% decline in revenue between 2023 and 2024 in total.

The impact of this is mitigated by management actions to reduce costs, as set out in the Chief Financial Officer's Review.

The Base Case assumes SOFR reduces gradually to 4.25% by 31 December 2024, in line with current market expectations, lowering interest costs. The Group has capped the variable interest rate applicable to the majority of its borrowings at a rate slightly above the current SOFR.

In the Base Case, the Group remains in full compliance with its financial covenants and with ample liquidity throughout the going concern assessment period.

The lowest point of headroom in the Leverage Ratio covenant is at 30 September 2024. EBITDA would need to fall c.32% short of expectations in the period 1 January to 30 September 2024 for a breach to occur. Note that the current order book covers nearly all of the first half's revenue.

The lowest point of headroom in the Interest Cover covenant is at 30 September 2024. EBITDA would need to fall c.24% short of expectations in the period 1 January to 30 September 2024 for a breach to occur.

In the severe but plausible downside scenario, the slowdown in revenue that commenced in mid-2023 continues throughout 2024 with no recovery. This results in a 18% decline in revenue between 2023 and 2024 in total, with the additional 4% decline versus the Base Case arising in H2 2024.

This case assumes a £5.0 million reduction in annualised overheads, implemented from the start of H2 2024, which reduces overheads for 2024 by 3.0%, in addition to the reductions assumed in the Base Case.

The interest rate assumption is the same as the Base Case.

In the Downside Case, the Group remains compliant with its financial covenants, albeit with lower headroom, and with ample liquidity throughout the going concern assessment period.

The lowest point of headroom in the Leverage Ratio covenant is 31 December 2024. EBITDA would need to fall c.18% short of expectations in 2024 for a breach to occur.

The lowest point of headroom in the Interest Cover covenant is 31 December 2024. EBITDA would need to fall c.4% short of expectations in 2024 for a breach to occur.

The Group's funding position has improved considerably due to the Funding Plan implemented in late 2023. New funds have been raised from a share Placing, covenant terms were amended with the support of all the Group's lenders, and actions were taken to preserve cash and reduce costs. Actions taken to reduce cost illustrate the Group's ability to respond to changed circumstances robustly and the benefit of these actions is now coming through.

The Directors are confident that the Base Case and Downside Cases, including the benefit of the Funding Plan, provides an appropriate basis for the going concern assumption to be applied in preparing the financial statements, whilst recognising lower headroom in the Downside Case.

Therefore, 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 2023, the Group adopted the new or amended IFRS, Interpretations issued by the IFRS Interpretations Committee of the IASB (IFRIC) and Interpretations of SFRS(I) (INT SFRIS(I)) (collectively referred to as "Standards and Interpretations") 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 Standards and Interpretations.

The adoption of these new or amended Standards and Interpretations 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 2023 reporting periods and have not been early adopted by the Group. These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue recognition

a. Sales of goods

The Group manufactures and sells a range of power products. Sales are recognised at a point in time when control of the products has transferred to its customer. Transfer of control occurs when delivery to the customer takes place, depending on the delivery terms agreed with the customer.

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 to 60 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 are 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.

b. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest rate method.

2.3 Group accounting

a. Subsidiaries

i Consolidation

Subsidiaries are all entities (including structured 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which are 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 income statement, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Summary of material accounting policies CONTINUED

ii Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, 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 at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.7 for the subsequent accounting policy on goodwill.

b. Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 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

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. Foreign exchange gains and losses impacting profit or loss are presented in the income statement within "operating expenses".

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

c. Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities are translated at the closing exchange rates at the reporting date;

ii. Income and expenses are translated at average exchange rates (unless the average is not 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); and

iii. All resulting currency translation differences 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 with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

The Group has elected to treat goodwill and fair value adjustments arising on the acquisitions before the date of initial transition to IFRS as pounds sterling-denominated assets and liabilities translated using the exchange rates at the dates of the acquisitions.

2.5 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted-average cost formula. 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). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.6 Property, plant and equipment

a. Measurement

i Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

ii Components of costs

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.

b. Depreciation

Freehold land and asset under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	20–50 years
Plant and equipment	3–10 years
Motor vehicles	4–5 years
Building improvements	3–10 years

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 profit or loss when the changes arise.

c. Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

d. Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "operating expenses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Summary of material accounting policies CONTINUED

2.7 Intangible assets

a. Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

b. Other intangible assets

Other intangible assets include internally generated assets and acquired assets. They are initially capitalised at cost and 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 as follows:

	Useful lives
Product development costs	5–7 years
Software	10 years
Brand	2–10 years
Technology	5–10 years
Customer relationships	5–10 years
Customer contracts	1–3 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.

i Product development costs (internally generated)

The Group is involved in research and development activities. Research costs are recognised as an expense when incurred. Costs directly attributable to the development of products are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the products and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

ii Software (internally generated)

The Group is involved in the implementation of an enterprise resource planning system. Costs associated with maintaining software programmes are recognised as an expense when incurred. Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the capitalisation criteria for development phase stated in IAS 38 Intangible Assets is met. Such costs mainly include consultancy costs and payroll-related costs of employees directly involved in the implementation.

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the development of internally generated intangible assets. This includes costs on general borrowings used to finance the development of internally generated intangible assets. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to development expenditures that are financed by general borrowings. Costs are capitalised during the period of time that is required to complete and prepare the qualifying asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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 CGU's 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 recognised as an expense is not reversed in a subsequent period.

b. Intangible assets, property, plant and equipment, right-of-use assets

Intangible assets, property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For intangible assets that are not available for use, the Group tests them for impairment, at least annually as well.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

a. Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

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 asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

2. Summary of material accounting policies CONTINUED

i At initial recognition

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.

ii At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade receivables, other current assets (excluding prepayments, VAT receivables and rights to returned goods) and bond receivable.

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 interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at 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 or 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 income". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

b. Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

c. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

2.11 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.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They 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). Otherwise, 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

Provision for legal dispute is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Other 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 in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is 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.

When the contractual cash flows of borrowings are modified and do not result in derecognition, differences between the recalculated gross carrying amount and the carrying amount before modification are recognised in profit or loss as modification gain or loss, at the date of modification.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 conveys 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 recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Summary of material accounting policies CONTINUED

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 is 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 it 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.

For contracts 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 components for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities 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 a modification in the scope or the consideration of the lease that was not part of the original term.

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

c. Short-term and low-value leases

The Group has elected to not recognise 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

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on 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.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from tax authorities, using the tax rates and tax laws 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 and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

For equity-settled share-based payments, as the timing of the tax deduction and the recognition of the share-based payment expenses differs, the Group recognises the related deferred tax asset if the deferred tax asset recognition criteria are met. 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.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

a. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore on a mandatory, contractual or voluntary basis. The Group has no further obligations once the contributions have been paid.

b. Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of share-based payment awards is recognised as an expense with a corresponding increase in the share-based payments reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the share-based payment awards granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under awards that are expected to become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of shares under awards that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payments reserve over the remaining vesting period.

When the share-based payment awards are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share-based payments reserve are credited to the share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees. Upon expiry of the share-based payment awards, the balance previously recognised in the share-based payments reserve is credited to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Summary of material accounting policies CONTINUED

c. Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises an accrual when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay. Under some profit-sharing or deferred bonus plans, employees receive a share of the profits or bonus only if they remain with the entity for a specified period in the future. The measurement of such benefit reflects the possibility that some employees may leave without receiving the profits or bonus. A liability for the benefit shall be accrued over the vesting period.

d. Employee leave entitlements

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

2.20 Share capital, treasury shares and other reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount, which includes the consideration paid and any directly attributable transaction cost, is presented as a component within 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 an equity-settled share-based payment plan, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the other reserve.

Other reserve also 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.

2.21 Dividend distribution

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

2.22 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 estimates, assumptions and judgements

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. Critical judgements in applying the Group's accounting policies

i Capitalisation of product development costs

During the year, £9.4 million (2022: £8.1 million) of product development costs have been capitalised, including capitalised interest. Management has evaluated whether a project has entered the development phase before capitalising the costs that are directly attributable to the project. The assessment is based on information documented in business cases prepared by the engineering teams and approved by senior management. Management has considered the capitalisation criteria stated in IAS 38 Intangible Assets, which includes the technical feasibility, intention and ability to complete the project when reviewing the business cases. The business cases also contain sales forecasts, which indicate the probable future economic benefits of the projects. All product development costs are tracked and monitored, which allows management to measure reliably the expenditure attributable to each project. Significant judgements are involved when management performs the assessment.

ii Going concern

Paragraph 2.1 A confirms that these financial statements have been prepared on a going concern basis and explains the basis for the Directors' conclusion that a going concern basis is appropriate.

In determining whether the Group's accounts should be prepared on a going concern basis, the Directors considered the Group's business activities, its current liquidity position and banking covenants and factors likely to affect its future performance and financial position, including the principal risks as set out on pages 52–59. This assessment is considered to be a critical accounting judgement.

In performing this assessment, the Directors prepared both base and downside scenarios. The key variables and sensitivities in these scenarios are the timing of the recovery of revenue and interest costs. Judgements have been made in determining when the Semiconductor Manufacturing Equipment market recovers and when excess channel inventory clears and on the SOFR interest rate. Further details are set out in paragraph 2.1.

Under both the base and downside scenarios, the Group has liquidity headroom and is in compliance with its banking covenants for the period under review. Inevitably if market condition were to be worse than we have modelled or if more severe risks were to crystallise then the Group would seek to identify and implement additional operational and financial measures to ensure ongoing compliance with covenants and adequate liquidity.

b. Critical accounting estimates and assumptions

i Recoverable amount of capitalised product development costs

As at 31 December 2023, the net book value of capitalised product development costs amounts to £30.6 million (2022: £30.4 million). For the purpose of impairment review, management has compared the carrying amount of the respective projects to their forecasted revenues. For some projects, significant judgements are used to estimate the future sales and growth rates applied in computing the recoverable amounts. In making these estimates, management has relied on performance of past projects, its communications with the intended customers and its expectations of industry trends and market development in the respective regions where the finished products will be marketed.

ii Useful lives of capitalised product development costs and start date for amortisation

The Group estimates the useful lives of capitalised product 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 product development costs based on the expected life cycle of these products, taking into consideration expected customer demand and technological innovation. During the year, the minimum useful life for product development costs was increased from three years to five years.

The Group also takes a view on when amortisation should start and expense capitalisation should cease based on when the product is considered to be capable of operating in a manner intended by management. Significant judgement is required in determining this date as some projects follow an iterative design process and so it is hard to determine when development has ended and commercial sales have begun. The principals for determining this date were reviewed during the year and new, cleared principals introduced.

The impact of the change in minimum useful life reduced the amortisation charge in the year by £0.9 million and the change in amortisation start date lead to an increase in the amortisation charge of £2.6 million – a combined effect of an increase in amortisation charge of £1.7 million. Estimating the effect of the change in estimates on future years is impracticable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. Critical accounting estimates, assumptions and judgements CONTINUED

iii Recoverable amount of cash-generating units for goodwill impairment assessment

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, revenue growth rates and terminal growth rates. 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 CGUs.

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 with a terminal growth rate of 2% after this. The carrying amount of goodwill as at 31 December 2023 was £75.6 million (2022: £77.5 million) with no impairment adjustment required for 2023.

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.

Management has also performed a sensitivity analysis on the impact of climate-related risks. The recoverable amounts remain higher than the carrying amounts as at 31 December 2023 and no impairment loss is recognised.

4. Segment 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. As set out in (ii) below, costs excluded from segment operating income include centrally managed general and administrative costs, share-based payment expense, various non-operating charges, income taxes and Adjusting items as they do not relate to the underlying cost base of the segment.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, 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.

i Revenue

The Group derives revenue from the transfer of goods at a point in time in the following market sectors and geographical regions.

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

	2023				2022			
£m	Europe	North America	Asia	Total	Europe	North America	Asia	Total
Semiconductor Manufacturing Equipment	**3.4**	**86.0**	**12.8**	**102.2**	2.7	93.8	16.9	113.4
Industrial Technology	**67.6**	**54.0**	**14.7**	**136.3**	61.3	44.5	13.8	119.6
Healthcare	**26.8**	**44.5**	**6.6**	**77.9**	22.5	28.9	6.0	57.4
Total	**97.8**	**184.5**	**34.1**	**316.4**	86.5	167.2	36.7	290.4

Revenue of £56.6 million (2022: £48.3 million) is derived from a single external customer. This is attributable to the Semiconductor Manufacturing Equipment sector across all geographical regions.

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

£m	2023	2022
North America	**176.3**	167.3
United Kingdom	**25.3**	25.9
Singapore	**45.7**	36.9
Germany	**48.0**	40.8
Switzerland	**2.0**	1.4
France	**4.4**	3.5
Other countries	**14.7**	14.6
Total revenue	**316.4**	290.4

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

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.

ii Segment

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2023 and prior year comparatives is as follows:

Reconciliation of segment results to loss for the year:

£m	2023	2022
Europe	**24.2**	21.5
North America	**55.1**	48.5
Asia	**11.9**	10.5
Segment results	**91.2**	80.5
Costs excluded from operating segments		
Research and development		
– Employee compensation	**(14.5)**	(13.0)
– Amortisation of intangible assets	**(2.4)**	(2.2)
– Depreciation of property, plant and equipment	**(1.2)**	(1.3)
– Safety and approval	**(1.1)**	(0.8)
– Advertising	**(0.8)**	(0.8)
– Others	**(1.9)**	(1.7)
Manufacturing		
– Employee compensation	**(1.9)**	(1.9)
– Cost of goods sold	**(8.8)**	(1.3)
– Others	**(0.8)**	(0.5)
Corporate cost		
– Employee compensation	**(9.5)**	(6.5)
– Information systems	**(3.5)**	(3.4)
– Consultancy fees	**(1.7)**	(1.5)
– Amortisation of intangible assets	**(2.1)**	(1.7)
– Others	**(2.9)**	(1.0)
Adjusted operating profit	**38.1**	42.9
Net finance expense	**(13.3)**	(6.1)
Adjustments	**(13.6)**	(67.0)
Profit/(Loss) before tax	**11.2**	(30.2)
Taxation	**(20.2)**	10.6
Loss for the year	**(9.0)**	(19.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Segment and revenue information CONTINUED

	2023				2022			
£m	Europe	North America	Asia	Total	Europe	North America	Asia	Total
Other information								
Property, plant and equipment additions	0.6	20.5	9.5	30.6	1.4	3.3	3.6	8.3
Depreciation of property, plant and equipment	0.5	2.0	2.6	5.1	0.4	2.0	2.7	5.1
Right-of-use assets additions	0.9	6.3	0.1	7.3	13.8	33.0	3.6	50.4
Depreciation of right-of-use assets	1.3	2.7	0.5	4.5	1.1	1.5	0.6	3.2
Intangible assets (including goodwill) additions	*	3.5	6.0	9.5	32.4	3.2	8.6	44.2
Amortisation of intangible assets	1.4	3.8	5.3	10.5	1.5	4.4	3.4	9.3
Costs relating to legal dispute	–	2.1	–	2.1	–	52.2	–	52.2
Impairment loss on intangible assets	–	–	1.9	1.9	–	7.7	0.1	7.8
Bank deposits pledged	–	0.3	–	0.3	–	1.1	–	1.1
Balance sheet								
Segment assets	79.2	245.9	120.0	445.1	85.5	237.1	141.5	464.1
Unallocated deferred and current income tax				1.2				17.6
Consolidated total assets				446.3				481.7
Segment liabilities	(21.2)	(227.2)	(28.3)	(276.7)	(21.5)	(269.4)	(36.0)	(326.9)
Unallocated deferred and current income tax				(14.3)				(15.3)
Consolidated total liabilities				(291.0)				(342.2)

* Balance is less than £100,000.

Non-current assets, other than deferred income tax assets, by region or country:

£m	2023	2022
North America	129.1	114.2
United Kingdom	11.4	11.9
Singapore	45.2	49.6
Germany	45.3	47.4
Malaysia	10.5	3.5
Other countries	12.1	13.4
Total non-current assets	253.6	240.0

* Balance is less than £100,000.

The majority of North America's non-current assets are located in the United States of America.

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 and legal dispute, gains and losses on the disposal of businesses, fair value movements, restructuring costs, 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/(loss) to Adjusted operating profit, a reconciliation of profit/(loss) before tax to Adjusted profit before tax and a reconciliation of loss after tax to Adjusted profit after tax.

a. A reconciliation of operating profit/(loss) to Adjusted operating profit is as follows:

£m	2023	2022
Operating profit/(loss)	24.5	(24.1)
Adjusted for:		
Restructuring costs	5.3	0.1
Global supply chain transformation	2.7	–
Costs relating to legal dispute	2.1	52.2
Impairment loss on intangible assets	*	7.5
Amortisation of intangible assets acquired from business combinations	3.2	4.1
Costs related to Enterprise Resource Planning system implementation	0.3	3.8
Acquisition costs	0.1	2.4
Foreign exchange gain on euro-denominated loan drawn down to finance acquisition	–	(3.2)
Revolving credit facility fees	*	0.2
Fair value gain on derivative financial instruments	(0.1)	(0.1)
	13.6	67.0
Adjusted operating profit	38.1	42.9

b. A reconciliation of profit/(loss) before tax to Adjusted profit before tax is as follows:

£m	2023	2022
Profit/(Loss) before tax	11.2	(30.2)
Adjusted for:		
Restructuring costs	7.7	0.3
Global supply chain transformation	2.7	–
Costs relating to legal dispute	2.1	52.2
Impairment loss on intangible assets	*	7.5
Amortisation of intangible assets acquired from business combinations	3.2	4.1
Costs related to Enterprise Resource Planning system implementation	0.3	3.8
Acquisition costs	0.1	2.4
Foreign exchange gain on euro-denominated loan drawn down to finance acquisition	–	(3.2)
Revolving credit facility fees	*	0.2
(Gain)/loss on modifications of revolving credit facility	(0.6)	1.0
Fair value gain on derivative financial instruments	(0.1)	(0.1)
	15.4	68.2
Adjusted profit before tax	26.6	38.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Segment and revenue information CONTINUED

c. Impact of Adjusted items on the relevant lines in the Income Statement provided below:

£m	2023				
	Distribution and marketing	Administrative	Research and development	Net finance expense	
Restructruing costs	1.7	3.6		2.4	7.7
Global supply chain transformation	1.5	1.2			2.7
Costs realting to legal dispute		2.0	0.1		2.1
Amortisation of intangible assets acquired from business combinations	3.0	0.2			3.2
Costs relating to Enterprise Resource Planning systems implementation		0.3			0.3
Acquisition costs		0.1			0.1
Gain on modifications of revolving credit facility				(0.6)	(0.6)
Fair value gain on derivative financial instruments	(0.1)				(0.1)
	6.1	7.4	0.1	1.8	15.4

£m	2022				
	Distribution and marketing	Administrative	Research and development	Net finance expense	
Restructuring costs	0.1			0.2	0.3
Costs relating to legal dispute		52.1	0.1		52.2
Impairment of intangible assets			7.5		7.5
Amortisation of intangible assets acquired from business combinations	4.1				4.1
Costs relating to Enterprise Resource Planning systems implementation		3.8			3.8
Acquisition costs		2.4			2.4
Foreign exchange gain on euro-denominated loan drawn down to finance acquisition		(3.2)			(3.2)
Revolving credit facility fees		0.2			0.2
Loss on modifications of revolving credit facility				1.0	1.0
Fair value gain on derivative financial instruments	(0.1)				(0.1)
	4.1	55.3	7.6	1.2	68.2

d. A reconciliation of loss for the year to Adjusted profit for the year is as follows:

£m	2023	2022
Loss for the year	(9.0)	(19.6)
Adjusted for:		
Restructuring costs	7.7	0.3
Global supply chain transformation	2.7	–
Costs relating to legal dispute	2.1	52.2
Impairment loss on intangible assets	*	7.5
Amortisation of intangible assets acquired from business combinations	3.2	4.1
Costs related to Enterprise Resource Planning system implementation	0.3	3.8
Acquisition costs	0.1	2.4
Foreign exchange gain on euro-denominated loan drawn down to finance acquisition	–	(3.2)
Revolving credit facility fees	*	0.2
(Gain)/loss on modification of revolving credit facility	(0.6)	1.0
Fair value gain on derivative financial instruments	(0.1)	(0.1)
Non-recurring tax expense/(credit)[1]	10.4	(16.7)
	25.8	51.5
Adjusted profit for the year	16.8	31.9

[1] Adjusted for tax on specific items relating to completed acquisitions of £16,526 (2022: £0.6 million), gain on foreign exchange impact of euro-denominated loan drawn down to finance acquisition of £nil (2022: £0.5 million), costs related to Enterprise Resource Planning system implementation of £49,878 (2022: £0.8 million), costs relating to legal dispute of £0.5 million (2022: £13.6 million)), impairment of intangible assets of £5,272 (2022: £2.0 million), revolving credit facility fees of £2,113 (2022: £27,706), gain on modification of revolving credit facility of £0.1 million (2022: loss of £ 0.2 million), restructuring cost of £1.9 million (2022: £30,117), global supply chain transformation £0.7 million (2022: £nil), and gain on fair value impact on derivative financial instruments of £15,775 (2021: £22,462) and tax loss relating to legal claim £13.6 million (2022: £nil).

5. Employee compensation (including Directors)

£m	2023	2022
Wages and salaries	97.9	85.5
Employers' contribution to defined contribution plans	10.7	9.6
Share-based payment expenses	1.1	0.1
	109.7	95.2
Less: amount capitalised in intangible assets and property, plant and equipment	(7.6)	(6.8)
Total	102.1	88.4

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

6. Net finance expense

£m	2023	2022
Interest income	(1.5)	(0.1)
Interest expense		
Bank borrowings and overdrafts	13.8	5.3
Lease liabilities	3.1	0.7
	16.9	6.0
(Gain)/Loss on modification of revolving credit facility	(0.6)	1.0
Unwinding of discount for asset retirement obligation	*	*
Unwinding of discount for accrued consideration	0.1	*
	14.9	6.9
Less: amount capitalised in intangible assets and property, plant and equipment – see below	(1.6)	(0.8)
Amount recognised in income statement	13.3	6.1

* Balance is less than £100,000.

Finance expenses on general financing were capitalised at a rate of 8.1% p.a. (2022: 4.8% p.a.).

Of the amount capitalised, £1.2 million (2022: £0.6 million) was capitalised to Product Development costs, £0.2 million (2022: £nil) to buildings costs and £0.2 million (2022: £0.2 million) to software. During the financial year ended 31 December 2023, the Group renegotiated its existing revolving credit facility. This resulted in the recognition of a modification gain of £0.6 million (2022: loss of £1.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. Expenses by nature

£m	2023	2022
Loss for the year is after charging:		
Amortisation of intangible assets (Note 12)	**10.5**	9.3
Depreciation of property, plant and equipment (Note 13)	**5.1**	5.1
Depreciation of right-of-use assets[1] (Note 14)	**2.9**	3.2
Employee compensation (Note 5)	**102.1**	88.4
Foreign exchange losses/(gains) – net	**0.9**	(2.0)
Fair value gain on derivative financial instruments	**(0.1)**	(0.1)
Purchases of inventories	**115.5**	169.6
Changes in inventories	**22.8**	(40.4)
Fees payable to the Group's Auditor for the audit of the Group's accounts	**0.7**	0.7
Fees payable to the Group's Auditor for non-audit services	**–**	*
Fees payable to other audit firm for audit-related services	**0.1**	0.1
Tax fees payable to other firms for services provided to the Group	**0.4**	0.3
Lease expense (Note 14)	**0.2**	0.2
Recruitment	**0.9**	1.1
Information systems	**4.4**	4.6
Consultancy fees	**2.6**	5.2
Consultancy fees capitalised as intangible assets	**–**	(3.5)
Travel and entertainment	**1.9**	2.0
Advertising	**1.0**	1.1
Safety and approval	**1.2**	0.9
Costs related to Enterprise Resource Planning system implementation	**0.3**	3.8
Costs relating to legal dispute	**2.1**	52.2
Acquisition costs	**0.1**	2.4
Impairment loss on intangible assets[2]	**1.9**	7.8
Revolving credit facility fees	*****	0.2
Restructuring costs	**5.3**	–
Global supply chain transformation	**2.7**	–
Other expenses	**6.4**	2.3
Total cost of sales, distribution and marketing, administrative and research and development expenses	**291.9**	314.5

* Balance is less than £100,000.

[1] £1.6 million of depreciation of right-of-use assets related to lease for office space in the United States of America was reclassified to disclose under restructuring costs.

[2] £0.6 million of impairment of intangible assets was reclassified to disclose under restructuring costs.

8. Taxation

£m	2023	2022
Tax expense/(credit) attributable to (loss)/profit is made up of:		
Tax on profit /(loss) for the financial year		
– Singapore	**3.6**	2.8
– Foreign	**3.3**	4.1
Current income tax	**6.9**	6.9
Deferred income tax	**13.7**	(17.1)
	20.6	(10.2)
Over provision in prior financial years		
– Singapore	**(0.3)**	(0.2)
– Foreign	*****	*
Current income tax	**(0.3)**	(0.2)
Deferred income tax	**(0.7)**	(0.8)
	(1.0)	(1.0)
Withholding tax	**0.6**	0.6
Income tax expense/(credit)	**20.2**	(10.6)

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

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

£m	2023	2022
Profit/(loss) before tax	**11.2**	(30.2)
Tax on profit/(loss) at standard Singapore tax rate of 17% (2022: 17%)	**1.9**	(5.1)
Tax incentives	**(0.9)**	(0.5)
Different tax rates in other countries	**(0.9)**	(4.6)
Tax effect of share-based payments	*****	0.2
Expenses not deductible for tax purposes	**1.1**	1.0
Income not subject to tax	**(0.2)**	(1.0)
Deferred tax effect of change in tax rate	**0.4**	(0.2)
Over provision of tax in prior financial years	**(1.0)**	(1.0)
Deferred tax asset on tax losses and wear and tear allowances not provided for	**5.8**	–
Withholding tax	**0.6**	0.6
Deferred tax expense arising from the write-down of deferred tax asset	**13.4**	–
Income tax expense/(credit)	**20.2**	(10.6)

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

£m	2023	2022
Deferred tax asset – share-based payments	**0.2**	1.5
Total	**0.2**	1.5

* Balance is less than £100,000.

9. Dividends

Amounts recognised as distributions to equity holders in the period:

	2023		2022	
	Pence per share	£m	Pence per share	£m
Prior year third quarter dividend paid	**21.0***	**4.1**	21.0	4.1
Prior year final dividend paid	**36.0***	**7.1**	36.0	7.1
First quarter dividend paid	**18.0^**	**3.6**	18.0*	3.6
Second quarter dividend paid	**–**	**–**	19.0*	3.8
Total	**75.0**	**14.8**	94.0	18.6

* Dividends in respect of 2022 (94.0p).

^ Dividends in respect of 2023 (18.0p).

No further dividends are proposed in respect of the 2023 financial year.

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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	2023	2022
Loss		
Loss for the purposes of basic and diluted earnings per share		
Loss for the year attributable to equity holders of the Company	(9.2)	(20.0)
Loss for earnings per share	**(9.2)**	(20.0)
Number of shares		
Weighted average number of ordinary shares outstanding for basic earnings per share (thousands)	20,281	19,616
Effect of dilutive potential share awards (thousands)	23	63
Weighted average number of shares for diluted earnings per share (thousands)	**20,304**	19,679
(Loss)/earnings per share		
Basic	**(45.4)p**	(102.0)p
Basic Adjusted*	**81.9p**	160.6p
Diluted	**(45.3)p**	(101.6)p
Diluted Adjusted*	**81.8p**	160.1p

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

£m	2023	2022
Loss for the purposes of basic and diluted earnings per share		
Loss for the year attributable to equity holders of the Company	(9.2)	(20.0)
Restructuring costs	7.7	0.3
Global supply chain transformation	2.7	–
Costs relating to legal dispute	2.1	52.2
Impairment loss on intangible assets	*	7.5
Amortisation of intangible assets acquired from business combination	3.2	4.1
Costs related to Enterprise Resource Planning system implementation	0.3	3.8
Acquisition costs	0.1	2.4
Foreign exchange gain on euro-denominated loan drawn down to finance the acquisition	–	(3.2)
Revolving credit facilities fees	*	0.2
(Gain)/loss on modification of revolving credit facility	(0.6)	1.0
Fair value gain on derivative financial instruments	(0.1)	(0.1)
Non-recurring tax expense/(credit)	10.4	(16.7)
Adjusted earnings	16.6	31.5

* Balance is less than £100,000.

11. Goodwill

£m	2023	2022
Cost and net book value		
At 1 January	77.5	52.5
Accrued consideration (Note 21)	*	*
Acquisition of subsidiaries	–	21.0
Currency translation differences	(1.9)	4.0
At 31 December	**75.6**	**77.5**

* Balance is less than £100,000.

Goodwill arises on the consolidation of business/subsidiary undertakings.

For the purpose of impairment tests for goodwill, goodwill is allocated to the cash-generating units (CGUs) according to operating segments identified in Note 4.

A segment-level summary of the goodwill allocation is as follows:

£m	2023	2022
North America	42.7	43.9
Europe	31.4	32.0
Asia	1.5	1.6
At 31 December	**75.6**	**77.5**

The recoverable amount of the CGU is determined from value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	2023			2022		
	Growth rate[1]	Discount rate[2]	Terminal growth rate	Growth rate	Discount rate[2]	Terminal growth rate
North America	5.0%	10.2%	2.0%	8.7%	11.8%	2.0%
Europe	3.5%	12.4%	2.0%	5.3%	12.9%	2.0%
Asia	7.7%	15.1%	2.0%	8.5%	12.5%	2.0%

[1] Compound annual growth rate of projected revenue over 2024-2028.

[2] Pre-tax discount rate applied to the pre-tax cash flow projections.

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

The impairment test carried out at 31 December 2023 for the North America CGU, which includes 56.5% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is £202.2 million or 47.8% higher than its carrying amount. A reasonably possible change of an increase in the discount rate by 3.5% or a decrease in growth rate by 7.5% would result in the recoverable amount of the North America CGU being equal to its carrying value.

The impairment test carried out at 31 December 2023 for the Europe CGU, which includes 41.5% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is £64.3 million or 71.9% higher than its carrying amount. A reasonably possible change of an increase in the discount rate by 7.4% or a decrease in growth rate by 7.3% would result in the recoverable amount of the Europe CGU being equal to its carrying value.

The impairment test carried out at 31 December 2023 for the Asia CGU, which includes 2.0% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is £129.7 million or 14.6% higher than its carrying amount. A reasonably possible change of an increase in the discount rate by 1.6% or a decrease in growth rate by 7.8% would result in the recoverable amount of the Asia CGU being equal to its carrying value.

The impairment test also modelled the potential impact on future cash flows due to climate change. A sensitivity analysis was performed for each CGU or group of CGUs to demonstrate the financial impact of the following key climate-related risks (see Climate Risks in the Sustainability Report):

1. Flood risk – major flood could cause a disruption to the manufacturing sites.
2. Supply chain risks – physical climate-related impacts could also result in supply chain disruptions, either through supplier sites being directly affected, or by disruption to transportation and energy supply.
3. Carbon price impacts in the value chain – the increase in carbon price may result in increased cost of goods sold and increased cost of transportation.
4. Risk of not meeting net zero target – failure to meet the defined net zero targets may cause reputational damage, dissuade potential investors, or result in sustained cost impacts from any introduction of carbon pricing.

These downside scenarios would result in 5-6% reduction of revenue and 5-10% increase in operating costs. They are considered to be reasonable tests as it reflects the expectation that financial impacts would be time-bound and most likely to impact the organisation's ability to meet demand for a period. The maximum impact to headroom based on the sensitivities tested for North America, Europe and Asia is a reduction of £3.7 million, £2.1 million and £4.7 million, respectively. The impacts would still leave significant headroom and as a result no potential indicator of impairment was identified.

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12. Intangible assets

£m	Product Development costs	Brand	Trademarks	Technology	Customer relationships	Customer contracts	Software	Assets under development	Total
Cost									
At 1 January 2022	35.5	0.9	1.1	4.9	17.4	0.6	8.9	31.4	100.7
Additions	0.7	–	*	–	–	–	0.3	10.9	11.9
Disposals	–	–	–	–	–	–	*	–	*
Transfers	5.3	–	–	–	–	–	11.8	(17.1)	–
Reclassification from property, plant and equipment	–	–	–	–	–	–	0.6	–	0.6
Acquisition of subsidiaries	–	0.7	*	2.6	6.1	1.9	*	–	11.3
Currency translation differences	2.4	0.2	*	0.8	2.5	0.2	2.1	3.1	11.3
At 31 December 2022	**43.9**	**1.8**	**1.1**	**8.3**	**26.0**	**2.7**	**23.7**	**28.3**	**135.8**
Additions	0.3	–	–	–	–	–	*	9.2	9.5
Disposals	–	–	–	–	–	–	(0.2)	–	(0.2)
Transfers	8.5	–	–	–	–	–	1.9	(10.4)	–
Currency translation differences	(1.7)	*	*	(0.4)	(1.2)	(0.1)	(1.2)	(1.5)	(6.1)
At 31 December 2023	**51.0**	**1.8**	**1.1**	**7.9**	**24.8**	**2.6**	**24.2**	**25.6**	**139.0**
Accumulated amortisation and impairment losses									
At 1 January 2022	27.2	0.4	1.0	2.5	9.1	0.6	3.6	–	44.4
Amortisation charge	3.3	0.2	–	0.9	2.3	0.7	1.9	–	9.3
Impairment charge	–	–	–	–	–	–	–	7.8	7.8
Disposals	–	–	–	–	–	–	*	–	*
Reclassification from property, plant and equipment	–	–	–	–	–	–	0.5	–	0.5
Currency translation differences	1.5	*	*	0.4	1.3	0.1	0.4	0.2	3.9
At 31 December 2022	32.0	0.6	1.0	3.8	12.7	1.4	6.4	8.0	65.9
Amortisation charge	5.0	0.2	*	0.8	1.6	0.6	2.3	–	10.5
Impairment charge	*	–	–	–	–	–	–	2.5	2.5
Currency translation differences	(1.1)	–	*	(0.2)	(0.7)	(0.1)	(0.4)	(0.5)	(3.0)
At 31 December 2023	**35.9**	**0.8**	**1.0**	**4.4**	**13.6**	**1.9**	**8.3**	**10.0**	**75.9**
Net book value									
At 31 December 2023	**15.1**	**1.0**	**0.1**	**3.5**	**11.2**	**0.7**	**15.9**	**15.6**	**63.1**
At 31 December 2022	11.9	1.2	0.1	4.5	13.3	1.3	17.3	20.3	69.9

* Balance is less than £100,000.

The remaining amortisation period for customer relationships ranges from four to nine years.

The Group's trademarks used to identify and distinguish the Group's name and logo have a carrying amount of £0.1 million (2022: £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 are tested for impairment on an annual basis.

13. Property, plant and equipment

£m	Freehold land	Buildings	Plant and equipment	Motor vehicles	Building improvements	Assets under construction	Total
Cost							
At 1 January 2022	1.5	17.3	30.3	0.3	7.1	1.3	57.8
Acquisition of subsidiaries	–	*	0.8	*	*	–	0.8
Additions	–	*	4.5	–	0.3	2.7	7.5
Disposals	–	*	(0.5)	*	(0.3)	–	(0.8)
Transfers	–	–	0.6	*	1.0	(1.6)	–
Reclassification to intangible assets	–	–	(0.6)	–	–	–	(0.6)
Currency translation differences	0.1	1.7	2.9	*	0.8	0.2	5.7
At 31 December 2022	**1.6**	**19.0**	**38.0**	**0.3**	**8.9**	**2.6**	**70.4**
Additions	–	0.2	3.3	*	0.2	26.9	30.6
Disposals	–	–	(3.5)	(0.1)	(0.6)	–	(4.2)
Transfers	–	–	2.4	–	19.2	(21.6)	–
Currency translation differences	(0.1)	(1.0)	(2.1)	*	(0.8)	(0.3)	(4.3)
At 31 December 2023	**1.5**	**18.2**	**38.1**	**0.2**	**26.9**	**7.6**	**92.5**
Accumulated depreciation							
At 1 January 2022	–	4.2	19.4	0.3	3.7	–	27.6
Depreciation charge	–	0.6	3.7	*	0.8	–	5.1
Disposals	–	–	(0.5)	*	(0.3)	–	(0.8)
Transfers	–	–	*	–	–	–	*
Reclassification to intangible assets	–	–	(0.5)	–	–	–	(0.5)
Currency translation differences	–	0.3	1.8	*	0.3	–	2.4
At 31 December 2022	**–**	**5.1**	**23.9**	**0.3**	**4.5**	**–**	**33.8**
Depreciation charge	–	0.5	3.7	*	0.9	–	5.1
Disposals	–	–	(3.4)	(0.1)	(0.6)	–	(4.1)
Currency translation differences	–	(0.3)	(1.3)	*	(0.2)	–	(1.8)
At 31 December 2023	**–**	**5.3**	**22.9**	**0.2**	**4.6**	**–**	**33.0**
Net book value							
At 31 December 2023	**1.5**	**12.9**	**15.2**	**–**	**22.3**	**7.6**	**59.5**
At 31 December 2022	1.6	13.9	14.1	–	4.4	2.6	36.6

* Balance is less than £100,000.

Assets under construction pertains to cost incurred for the building of Malaysia factory of £7.1 million and renovation of the office space in North America which is due for completion in 2024 of £0.5 million.

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14. Leases

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.

During the financial year, the Group entered into a new lease for a building in North America for the purpose of back-office operations and product development uses. The lease has a lease term of 12 years commencing from 1 April 2023 which includes options to extend for a period of five years.

Equipment and motor vehicles

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

a. Right-of-use assets

Carrying amounts and depreciation charge during the year

£m	Leasehold land and buildings	Equipment and motor vehicles	Total
Cost			
At 1 January 2022	7.9	0.4	8.3
Additions	38.5	0.5	39.0
Acquisition of subsidiaries	11.4	*	11.4
Disposals	(2.1)	*	(2.1)
Depreciation charge	(3.0)	(0.2)	(3.2)
Currency translation differences	1.5	*	1.5
At 31 December 2022	**54.2**	**0.7**	**54.9**
Additions	7.1	0.2	7.3
Disposals	(0.8)	*	(0.8)
Depreciation charge	(4.3)	(0.2)	(4.5)
Currency translation differences	(2.9)	*	(2.9)
At 31 December 2023	**53.3**	**0.7**	**54.0**

* Balance is less than £100,000.

b. Lease expense not capitalised in lease liabilities

£m	2023	2022
Lease expense – short-term leases	**0.2**	0.2
Lease expense – low-value leases	*	*
Total (Note 7)	**0.2**	0.2

* Balance is less than £100,000.

c. Total cash outflow for all leases in 2023 was £3.6 million (2022: £6.7 million).

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

Extension options

The leases for certain office spaces contain extension options, 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.

15. Subsidiaries

The Group has the following principal subsidiaries as at 31 December 2023 and 2022:

Name of Subsidiary	Country of business/incorporation	Ownership interest 2023 (%)	Ownership interest 2022 (%)
Directly owned by the Company			
XP Power Plc	UK	**100**	100
XP Power Singapore Holdings Pte Limited	Singapore	**100**	100
Indirectly owned by the Company			
XP PLC	UK	**100**	100
XP Power Holdings Limited	UK	**100**	100
XP Power AG	Switzerland	**100**	100
Powersolve Electronics Limited*	UK	**90.6**	90.6
XP Power Srl	Italy	**100**	100
XP Power ApS	Denmark	**100**	100
XP Power Sweden AB	Sweden	**100**	100
XP Power GmbH	Germany	**100**	100
FuG Elektronik GmbH	Germany	**100**	100
Guth High Voltage GmbH	Germany	**100**	100
XP Power SA	France	**100**	100
XP Power Norway AS	Norway	**100**	100
XP Power International Limited	UK	**100**	100
XP Power LLC	USA	**100**	100
XP Power (Shanghai) Co., Limited	China	**100**	100
XP Power (Hong Kong) Limited	Hong Kong	**100**	100
XP Power (Vietnam) Co., Limited	Vietnam	**100**	100
XP Power Singapore Manufacturing Pte. Ltd.	Singapore	**100**	100
XP Power (Philippines) Inc.	Philippines	**100**	100
XP Power (Malaysia) Sdn. Bhd.	Malaysia	**100**	100
Hanpower Co., Ltd*	South Korea	**66**	66
XP Power (India) Pte. Ltd.	India	**100**	–

* Refer to Note 21.

16. Cash and bank balances

£m	2023	2022
Cash at bank and on hand	**13.3**	23.2
Short-term bank deposits	**0.1**	0.2
Total	**13.4**	23.4

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

£m	2023	2022
Cash at bank balances (as above)	**13.4**	23.4
Less: Bank overdrafts (Note 22)	**–**	(0.2)
Less: Bank deposit pledged	**(1.4)**	(1.1)
Cash and cash equivalents per consolidated statement of cash flows	**12.0**	22.1

Bank deposit is pledged as a collateral to obtain a letter of credit for the security deposit of a lease. The deposit is classified as a non-current asset as it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

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17. Inventories

£m	2023	2022
Finished goods	**31.3**	28.4
Raw materials	**44.2**	53.8
Work in progress	**16.1**	32.2
Total	**91.6**	114.4

The cost of inventories recognised as an expense and included in “cost of sales” amounts to £138.3 million (2022: £129.2 million).

18. Trade receivables

£m	2023	2022
Current assets		
Trade receivables	**43.2**	42.4
Less: Loss allowance (Note 31(d))	**(0.1)**	*
Total	**43.1**	42.4

* Balance is less than £100,000.

The average credit period taken on sales of goods is 50 days (2022: 53 days). No interest is charged on the outstanding receivables balance. The carrying amounts of trade receivables approximates to their fair values.

19. Other current assets

£m	2023	2022
Prepayments	**3.0**	3.3
Deposits	**0.7**	0.9
VAT receivables	**0.6**	3.1
Rights to returned goods	**0.3**	0.5
Other receivables	**3.5**	0.2
Total	**8.1**	8.0

Other current assets are not impaired as at 31 December 2023 and 31 December 2022.

20. Trade and other payables

£m	2023	2022
Trade payables	**18.5**	25.3
VAT payables	**1.4**	4.5
Withholding tax	**0.1**	0.3
Accruals for operating expenses	**24.3**	18.6
Contract liabilities	**3.4**	2.9
Refund liabilities	**0.6**	1.0
Total	**48.3**	52.6

The Group recognised contract liabilities for payments from customers that are received in advance of the transfer of goods. Revenue recognised in the current period that was included in the contract liabilities at the beginning of the period amounts to £2.5 million (2022: £1.3 million).

Customers have a right to return the goods to the Group within a given period. The Group recognised the refund liabilities for the amounts of consideration received for which the Group does not expect to be entitled. The Group also recognised a right to the returned goods measured by reference to the former carrying amounting of the goods.

21. Accrued consideration

£m	2023	2022
At 1 January	**1.5**	1.3
Provision made	**0.2**	0.2
Payment	**–**	*
At 31 December	**1.7**	1.5

* Balance is less than £100,000.

£m	2023	2022
Current	**–**	–
Non-current	**1.7**	1.5
At 31 December	**1.7**	1.5

As at 31 December 2023, the Group owns 90.6% (2022: 90.6%) of the shares of Powersolve Electronics Limited (“Powersolve”). In February 2017, the Group acquired 89.9% of the shares in Powersolve. The Group 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. In June 2022, the Group purchased 0.7% of the shares as per the deed of variation.

As at 31 December 2023, the Group owns 66% (2022: 66%) of the shares of Hanpower Co Ltd (“Hanpower”). The Group acquired an initial 51% of the shares in Hanpower in May 2015 and the Group entered into an agreement on 20 May 2015 with Hanpower to purchase an additional 15.0% of the shares in 2020 and another 15% of the shares in 2025. The purchase of the first additional 15% was completed in 2020.

The commitments 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 the past three years at the point of payment.

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.

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22. Borrowings and lease liabilities

£m	2023	2022
Current		
Bank overdrafts	–	0.2
Bank borrowings	0.4	–
Lease liabilities	1.4	2.4
Total	**1.8**	2.6
Non-current		
Bank borrowings	125.7	174.2
Lease liabilities	53.3	48.9
Total	**179.0**	223.1

Undrawn borrowing facilities

£m	2023	2022
Expiring beyond one year	73.1	35.7
Total	**73.1**	35.7

The facility has no fixed repayment terms until maturity in 2026. The revolving credit facility denominated in US dollar is priced at SOFR plus a margin of 1.5%-3.25%, depending on leverage, (2022: 1.2%-2.8%) for the amount that has been drawn down and an amount of 40% of the margin for the unutilised facility.

There is no drawdown on bank overdrafts denominated in GBP (2022: £0.2 million) during the year.

The fair values of the Group's bank borrowings and overdrafts approximate to their carrying amounts.

Reconciliation of liabilities arising from financing activities

				Non-cash changes							
£m	1 January 2023	Proceeds from borrowings	Principal and interest payments	Addition during the year	Modification of lease liability	Disposal during the year	Acquisition arising from business combinations	Modification of revolving credit facility	Net interest expense	Foreign exchange movement	31 December 2023
Bank borrowings	174.2	14.5	(67.0)	–	–	–	–	(0.6)	12.2	(7.2)	126.1
Lease liabilities	51.3	–	(3.4)	6.8	(0.6)	–	–	–	3.1	(2.5)	54.7

				Non-cash changes							
£m	1 January 2022	Proceeds from borrowings	Principal and interest payments	Addition during the year	Modification of lease liability	Disposal during the year	Acquisition arising from business combinations	Modification of revolving credit facility	Net interest expense	Foreign exchange movement	31 December 2022
Bank borrowings	33.4	170.3	(40.4)	–	–	–	–	1.0	5.3	4.6	174.2
Lease liabilities	8.1	–	(6.5)	37.5	–	(1.5)	11.4	–	0.7	1.6	51.3

23. Derivative financial instruments

Currency forwards

At 31 December 2022, derivative financial instruments comprised the USD/GBP currency forwards used to manage the exposure from issuance of dividends in GBP. There were no such forwards in place at 31 December 2023.

	Asset		Liability	
31 December 2023 £m	Contractual notional amount	Fair value	Contractual notional amount	Fair value
Currency forwards (current)	–	–	–	–

	Asset		Liability	
31 December 2022 £m	Contractual notional amount	Fair value	Contractual notional amount	Fair value
Currency forwards (current)	3.5	*	7.1	(0.1)

* Balance is less than £100,000.

24. Provisions (current)

£m Current	2023	2022
Legal dispute (Note (a) below)	43.6	46.1
Others	1.3	*
Total	**44.9**	46.1

* Balance is less than £100,000.

As part of the Funding Plan Actions identified in the Chief Financial Officer's Review, the construction of the new site in Malaysia has been delayed. Agreement has been reached with the main contractor for the payment of prolongation costs in respect of this delay. Based on the expected delay and related costs, a provision of £1.1 million has been made in these financial statements and the charge has been reported as part of Global supply chain transformation in Adjusting terms per Note 4.

a. Legal dispute

£m	2023	2022
At 1 January	46.1	–
Provision made	–	46.9
Currency translation differences	(2.5)	(0.8)
At 31 December 2023	**43.6**	46.1

As reported in the 2022 Annual Report and Accounts, in March 2022, an award for damages was made against XP for a total of $40 million in respect of a US legal action brought by Comet Technologies USA Inc., Comet AG, and YXLON International ("Comet"). Our appeal against the original ruling, which we believe to be well founded, was filed with the Appellate Court in August 2023 and we have been responding in line with the Appellate Court's timeline. We expect the appeal to be heard during 2024. Judgement has yet to be received in respect of Comet's claim for legal fees and interest associated with the case. It is expected soon. We incurred legal fees of £2.1 million in 2023 and these are reported as an Adjusting item per Note 4. While we believe we have provided for the worst-case situation, with the pending judgements and future appeals there remain a broad range of potential outcomes. Further updates will be provided as and when the current position changes.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. Bond receivable

In November 2022, the Group purchased an appeal bond from an insurance company in preparation for a potential appeal with the Appellate Court amounting to £36.9 million. Interest is accrued on the bond at an annual rate equivalent to the rate for the three-month Treasury Bill as published by the Board of Governors of the Federal Reserve System. A management fee of 0.4% of the bond is calculated on an annualised basis. The bond receivable is restricted until the finalisation of the appeal. The carrying amount of £36.7 million as at 31 December 2023 is comprises the initial bond value of £34.6 million, plus bond premium of £0.4 million, interest receivable of £1.8 million less the management fees paid of £0.1 million.

26. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

£m	2023	2022
Deferred tax assets	**0.7**	15.1
Deferred tax liabilities	**(9.3)**	(10.5)
Net deferred tax (liabilities)/assets	**(8.6)**	4.6

The movement in the net deferred income tax account is as follows:

£m	2023	2022
Beginning of financial year	**4.6**	(6.2)
Currency translation differences	**–**	(1.5)
Acquisition of subsidiaries	**–**	(4.1)
Tax (charged)/credited to:		
– Profit or loss (Note 8)	**(13.0)**	17.9
– Equity (Note 8)	**(0.2)**	(1.5)
End of financial year	**(8.6)**	4.6

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax assets

£m	Provision for legal dispute	Share-based payment	Tax losses	Lease liabilities	Others	Total
At 1 January 2022	–	2.8	0.4	1.8	1.7	6.7
Acquisition of subsidiary	–	–	–	3.2	–	3.2
Credited/(charged) to income statement	11.5	(0.7)	1.1	7.8	1.7	21.4
Debited to equity	–	(1.5)	–	–	–	(1.5)
Currency translation differences	*	–	*	0.4	0.2	0.6
At 31 December 2022	11.5	0.6	1.5	13.2	3.6	30.4
Charged to income statement	(11.0)	*	(1.2)	(8.3)	(3.5)	(24.0)
Debited to equity	–	(0.2)	–	–	–	(0.2)
Currency translation differences	(0.4)	–	*	(0.4)	(0.1)	(0.9)
At 31 December 2023	**0.1**	**0.4**	**0.3**	**4.5**	**–**	**5.3**

At 31 December 2023, the Group has unutilised tax losses and other credits of £67.2 million for which no deferred tax benefit is recognised in the balance sheet due to the current uncertainty as to the Group's ability to utilise these losses. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain local statutory requirements. Tax losses amounting to £11.0 million can be carried forward indefinitely, losses amounting to £52.7 million begin to expire in 2029 and losses amounting to £3.5 million begin to expire in 2034.

Deferred income tax liabilities

£m	Accelerated tax depreciation	Intangible assets amortisation	Lease assets	Others	Total
At 1 January 2022	(2.3)	(8.8)	(1.8)	–	(12.9)
Acquisition of subsidiaries	–	(3.7)	(3.2)	(0.4)	(7.3)
Credited/(charged) to income statement	0.4	3.5	(7.8)	0.4	(3.5)
Currency translation differences	(0.3)	(1.4)	(0.4)	*	(2.1)
At 31 December 2022	(2.2)	(10.4)	(13.2)	*	(25.8)
Credited/(charged) to income statement	1.3	1.5	8.3	(0.1)	11.0
Currency translation differences	0.1	0.4	0.4	*	0.9
At 31 December 2023	**(0.8)**	**(8.5)**	**(4.5)**	**(0.1)**	**(13.9)**

* Balance is less than £100,000.

27. Share capital and reserves

a. Share capital

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital £m	Treasury shares £m
2023				
Beginning of financial year	**19,742,296**	**(102,086)**	**27.2**	*
Shares issued	**3,946,958**	**–**	**44.0**	–
Treasury shares purchased	**–**	**(979)**	**–**	*
Treasury shares re-issued	**–**	**54,182**	**–**	*
End of financial year	**23,689,254**	**(48,883)**	**71.2**	*
2022				
Beginning of financial year	19,642,296	(92,881)	27.2	*
Shares issued	100,000	–	*	–
Treasury shares purchased	–	(100,000)	–	*
Treasury shares re-issued	–	90,795	–	*
End of financial year	19,742,296	(102,086)	27.2	*

* Balance is less than £100,000.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

In 2023, the Company issued 3,946,958 ordinary shares for a net consideration of £44 million. The newly issued shares rank pari passu in all aspects with the previously issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. Share capital and reserves CONTINUED

b. Treasury shares

Treasury shares are shares in the Company that are held by the Company's Employee Share Ownership Plan (ESOP) Trust for the purpose of issuing shares under the Company's ESOP. Shares issued to employees are recognised on a first in, first out basis.

In 2023, the Company purchased 979 ordinary shares at 1 pence per share and held under ESOP Trust.

The Company re-issued 54,182 (2022: 90,795) treasury shares during the financial year pursuant to the Company's ESOP at the exercise price of ranging from £0.01 to £15.43 (2022: £0.01 to £15.43). The cost of the treasury shares re-issued amounted to £6,000 (2022: £11,000). The total consideration (net of expense) for the treasury shares issued is as follows:

£m	2023	2022
Exercise price paid by employees	**0.4**	*
Value of employee services	**1.2**	1.8
Total net consideration	**1.6**	1.8

* Balance is less than £100,000.

Accordingly, a gain on re-issue of treasury shares of £1,600,000 (2022: £1,800,000) is recognised in other reserve.

c. Share-based payments reserve

Share-based payments reserve represents the equity-settled share-based payments 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-based payments and is reduced by the expiry or exercise of share-based payments.

d. Merger reserve

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.

e. Translation reserve

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.

f. Other reserve

Other reserve comprises:

- future transactions with the non-controlling interest. The Group has an agreement with the non-controlling shareholders of Hanpower Co. Ltd, a subsidiary, to purchase an additional 15.0% of the shares in 2025. 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 expenses up to the redemption amount that is payable at the date at which the agreement first becomes exercisable, and
- the value relating to the exercise of share-based payment awards.

28. 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.

2023 £m	Inventories (Note 17)	Trade receivables (Note 18)	Other current assets (Note 19)	Trade and other payables (Note 20)	Accrued consideration (Note 21)	Provisions
At 31 December 2023	**91.6**	**43.1**	**8.1**	**48.3**	**1.7**	**45.9**
At 31 December 2022	**114.4**	**42.4**	**8.0**	**52.6**	**1.5**	**47.0**
Balance sheet movement	**22.8**	**(0.7)**	**(0.1)**	**(4.3)**	**0.2**	**(1.1)**
Accrued consideration on acquisition	**–**	**–**	**–**	**–**	**(0.1)**	**–**
Provision for doubtful debt	**–**	*****	**–**	**–**	**–**	**–**
Withholding tax payable	**–**	**–**	**–**	**0.1**	**–**	**–**
Interest accrual movement	**–**	**–**	**–**	**–**	**(0.1)**	**–**
Provision for reinstatement costs	**–**	**–**	**–**	**(0.2)**	**–**	**0.1**
Currency translation differences	**(5.4)**	**(1.8)**	**(0.5)**	**2.6**	*****	**2.5**
	17.4	**(2.5)**	**(0.6)**	**(1.8)**	*****	**1.5**

2022 £m	Inventories (Note 17)	Trade and other receivables (Note 18)	Other current assets (Note 19)	Trade and other payables (Note 20)	Accrued consideration (Note 21)	Provisions
At 31 December 2022	114.4	42.4	8.0	52.6	1.5	47.0
At 31 December 2021	74.0	30.8	5.0	44.7	1.3	0.2
Balance sheet movement	(40.4)	(11.6)	(3.0)	7.9	0.2	46.8
Acquisition of subsidiaries	5.9	1.1	0.2	(2.9)	–	–
Movement, net of effects from acquisitions	(34.5)	(10.5)	(2.8)	5.0	0.2	46.8
Payment of accrued consideration (Note 21)	–	–	–	–	*	–
Withholding tax payable	–	–	–	(0.2)	–	–
Provision for reinstatement costs	–	–	–	–	–	*
Provision for legal dispute	–	–	–	–	–	(46.9)
Currency translation differences	9.7	3.2	0.6	(4.6)	(0.2)	0.7
	(24.8)	(7.3)	(2.2)	0.2	–	0.6

* Balance is less than £100,000.

29. Related-party transactions

Key management personnel compensation

Key management personnel are the Directors of the Group.

£m	2023	2022
Short-term employee benefits	**1.9**	1.4
Post-employment benefits	**0.1**	0.1
Share-based payment expenses	**0.6**	0.2
Total	**2.6**	1.7

Further information about the remuneration of the individual Directors is provided in the Directors' Remuneration Report on pages 122–144.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Share-based payments

The Group operates several equity-settled share-based payment plans.

a. XP Power Share Option Plan (the "SOP")

The SOP was approved by the shareholders on 2 April 2012. A total of 345,000 options and 418,000 options were granted in 2012 and 2016 respectively under the SOP. These options vest only if certain performance conditions are met. The vesting of outstanding options is based on Total Shareholder Return (TSR) relative to the FTSE350 Electronic and Electric Equipment Sector. The options may only be exercised within ten years from grant date. All options under the SOP are fully vested as at 31 December 2023.

Set out below are summaries of options granted under the plan:

	2023		2022	
	Number of share options	Weighted average exercise price per share option	Number of share options	Weighted average exercise price per share option
At 1 January	**73,677**	**£15.43**	76,885	£15.43
Forfeited during the year	**(10,000)**	**£15.43**	–	–
Exercised during the year[*]	**(25,000)**	**£15.43**	(3,208)	£15.43
At 31 December	**38,677**	**£15.43**	73,677	£15.43
Exercisable at 31 December	**38,677**	**£15.43**	73,677	£15.43

[*] The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was £23.75 (2022: £32.86).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
23 February 2016	10 December 2023	£15.43	**–**	34,800
23 February 2016	23 February 2026	£15.43	**38,677**	38,877
Total			**38,677**	73,677
Weighted average remaining contractual life of options outstanding at end of period			**2.2 year**	2.1 years

b. XP Power Limited Long-Term Incentive Plan 2017 (the "XP LTIP 2017")

The XP LTIP 2017 was approved by the shareholders on 19 April 2017 and amended by the Remuneration Committee on 28 February 2020 in respect of awards made on or after that date. The only participants under the XP LTIP 2017 are the Executive Directors who are granted Performance Share Awards. These Awards vest only if certain performance conditions are met. The vesting of outstanding Awards is based on TSR relative to the companies in the FTSE 250 index excluding investment trusts and earnings per share growth.

Set out below are summaries of Awards granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January[#]	**59,754**	**£0.01**	86,254	£0.01
Granted during the year	**53,408**	**£0.01**	30,471	£0.01
Forfeited during the year[#]	**(31,161)**	**£0.01**	(21,666)	£0.01
Exercised during the year[*]	**–**	**–**	(35,305)	£0.01
At 31 December	**82,001**	**£0.01**	59,754	£0.01
Exercisable at 31 December	**3,091**	**£0.01**	3,091	£0.01

[#] The beginning balance excludes 18,834 awards granted on 22 April 2020 where the EPS condition for the performance period 2020 to 2022 was only partially met and TSR condition for the performance period from 2020 to 2022 has not been met. This is different from the Remuneration Committee Report, which discloses the forfeiture in 2023. The forfeited awards during the year include 11,582 awards granted on 3 March 2021 where both the TSR and performance condition for the performance period 2021 to 2023 has not been met. This is different from the Remuneration Committee Report, which will disclose the forfeiture in 2023.

[*] The weighted average share price at the date of exercise of awards exercised during the year ended 31 December 2022 was £25.45.

Awards outstanding at the end of the year have the following expiry dates and exercise prices.

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
16 March 2019[1]	16 March 2024	£0.01	**3,091**	3,091
22 April 2020	22 October 2025	£0.01	**3,039**	3,039
22 April 2020	22 April 2026	£0.01	**3,547**	3,547
3 March 2021	3 March 2027	£0.01	**–**	11,582
10 May 2021	10 May 2027	£0.01	**–**	8,024
8 March 2022	8 March 2028	£0.01	**18,916**	30,471
17 March 2023	17 March 2029	£0.01	**33,381**	–
14 September 2023	14 September 2029	£0.01	**20,027**	–
Total			**82,001**	59,754

[1] 50% of the awards vested in 2023 and the remaining 50% will vest in 2024.

Fair value of awards

The fair values at grant date of awards granted during the year under the XP LTIP 2017 are determined using the valuation models below. The model inputs are as follows:

Options granted	53,408
Fair value at grant date	£11.96 to £18.91
Model used	Monte Carlo model and Black–Scholes model
Assumptions used:	
Share price	£21.66
Exercise price	£0.01
Expected volatility	40.04% to 40.68%
Expected option life	5 years
Expected dividend yield	3.00%
Risk-free interest rate	3.28% to 4.28%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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30. Share-based payments CONTINUED

c. XP Power Limited Senior Managers Long-Term Incentive Plan 2017 (the "XP Senior Managers LTIP 2017")

The XP Senior Managers LTIP 2017 was approved by the shareholders on 19 April 2017 and amended by the Remuneration Committee on 28 February 2020 in respect of awards made on or after that date and introduced for non-Board members for certain grants made from 1 April 2020. The participants under the XP Senior Managers LTIP 2017 are the senior management of companies under the Group.

There are four different types of awards granted under the XP Senior Managers LTIP 2017:

1. Performance Share Awards
2. Performance Restricted Share Units ("Performance RSUs")
3. Restricted Share Awards
4. Restricted Share Units (RSUs)

Performance RSUs and RSUs are only granted to participants in the United States and they are exercised at nil cost. Performance Share Awards and Restricted Share Awards are granted to participants outside of the United States and they are exercised at nominal cost.

Performance Share Awards and Performance RSUs vest only if certain performance conditions are met. The vesting of outstanding Awards is based on TSR relative to the companies in the FTSE 250 index excluding investment trusts and earnings per share growth.

For each tranche of Performance Share Awards and Performance RSUs granted in 2017, 2018 and 2019, 50% of the awards will vest after the third year and the remaining 50% of the share awards will vest after the fourth year. For each tranche of Performance Share Awards and Performance RSUs granted in 2020, 2021, 2022 and 2023, 100% of the awards will vest after the third year.

Restricted Share Awards and RSUs vest over the service period of three years. There is no performance condition attached.

Performance Share Awards

Set out below are summaries of Performance Share Awards granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January	**54,887**	**£0.01**	62,781	£0.01
Granted during the year	**56,788**	**£0.01**	23,339	£0.01
Forfeited during the year	**(18,744)**	**£0.01**	(20,026)	£0.01
Exercised during the year*	**(13,272)**	**£0.01**	(11,207)	£0.01
At 31 December	**79,659**	**£0.01**	54,887	£0.01
Exercisable at 31 December	**3,657**	**£0.01**	9,515	£0.01

* The weighted average share price at the date of exercise of awards exercised during the year ended 31 December 2023 was £21.78 (2022: £30.90).

Awards outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
16 May 2018[1]	16 May 2023	£0.01	**–**	6,026
16 March 2019[2]	16 March 2024	£0.01	**2,273**	8,359
22 April 2020	22 April 2024	£0.01	**2,769**	4,232
3 March 2021	3 March 2025	£0.01	**–**	12,931
8 March 2022	8 March 2026	£0.01	**21,710**	22,819
12 September 2022	12 September 2026	£0.01	**–**	520
13 June 2023	13 June 2027	£0.01	**44,942**	–
14 September 2023	14 September 2027	£0.01	**7,965**	–
Total			**79,659**	54,887

[1] These awards are fully vested.

[2] 50% of the awards vested in 2023 and the remaining 50% will vest in 2024.

Performance RSUs

Set out below are summaries of Performance RSUs granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January	**35,877**	**–**	61,699	–
Granted during the year	**27,878**	**–**	14,732	–
Forfeited during the year	**(16,902)**	**–**	(18,943)	–
Exercised during the year*	**(10,406)**	**–**	(21,611)	–
At 31 December	**36,447**	**–**	35,877	–
Exercisable at 31 December	**–**	**–**	414	–

* The weighted average share price at the date of exercise of awards exercised during the year ended 31 December 2023 was £21.19 (2022: £32.43).

Awards outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
12 October 2017	12 October 2022	–	**–**	300
16 March 2019	16 March 2024	–	**–**	6,242
22 April 2020	22 April 2024	–	**–**	5,134
3 March 2021	3 March 2025	–	**–**	9,746
8 March 2022	8 March 2026	–	**10,937**	13,489
17 August 2022	17 August 2026	–	**966**	966
13 June 2023	13 June 2027	–	**23,341**	–
14 September 2023	14 September 2027	–	**1,203**	–
Total			**36,447**	35,877

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Share-based payments CONTINUED

Restricted Share Awards

Set out below are summaries of Restricted Share Awards granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January	**9,461**	**£0.01**	3,912	£0.01
Granted during the year	**24,438**	**£0.01**	6,523	£0.01
Forfeited during the year	**(1,834)**	**£0.01**	(974)	£0.01
Exercised during the year	**(202)**	**£0.01**	–	–
At 31 December	**31,863**	**£0.01**	9,461	£0.01
Exercisable at 31 December	**–**	**–**	–	–

Awards outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
22 April 2020	22 April 2024	£0.01	**1,376**	1,639
3 March 2021	3 March 2025	£0.01	**1,299**	1,299
8 March 2022	8 March 2026	£0.01	**4,701**	4,701
12 September 2022	12 September 2026	£0.01	**1,302**	1,822
13 June 2023	13 June 2027	£0.01	**17,496**	–
14 September 2023	14 September 2027	£0.01	**5,689**	–
Total			**31,863**	9,461

RSUs

Set out below are summaries of RSUs granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January	**28,227**	**–**	1,623	–
Granted during the year	**32,942**	**–**	26,742	–
Forfeited during the year	**(12,616)**	**–**	(138)	–
Exercised during the year	**(1,046)**	**–**	–	–
At 31 December	**47,507**	**–**	28,227	–
Exercisable at 31 December	**–**	**–**	–	–

Awards outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
22 April 2020	22 April 2024	–	**–**	1,046
3 March 2021	3 March 2025	–	**433**	577
8 March 2022	8 March 2026	–	**10,698**	14,554
17 August 2022	17 August 2026	–	**483**	483
26 August 2022	26 August 2026	–	**2,116**	2,116
12 September 2022	12 September 2026	–	**1,041**	1,041
21 November 2022	21 November 2026	–	**6,463**	8,410
13 June 2023	13 June 2027	–	**25,654**	–
14 September 2023	14 September 2027	–	**619**	–
Total			**47,507**	28,227

Fair value of awards

The fair values at grant date of awards granted during the year under the XP Senior Managers LTIP 2017 are determined using the valuation models below. The model inputs are as follows:

	Performance Share Award	Performance RSU	Restricted Share Award	RSU
Options granted	56,788	27,878	24,438	32,942
Fair value at grant date	£12.50 to £20.08	£12.50 to £20.08	£18.49 to £21.24	£18.49 to £21.24
Model used	Monte Carlo model and Black–Scholes model	Monte Carlo model and Black–Scholes model	Black–Scholes model	Black–Scholes model
Assumptions used:				
Share price	£21.89 to £21.97	£21.89 to £21.97	£20.01 to £21.32	£20.01 to £21.32
Exercise price	£0.01	–	£0.01	–
Expected volatility	39.4% to 68.85%	39.4% to 68.85%	38.99% to 45.34%	38.99% to 45.34%
Expected option life	3 years	3 years	3 years	3 years
Expected dividend yield	3.00%	3.00%	3.00%	3.00%
Risk-free interest rate	4.28% to 4.43%	4.28% to 4.43%	4.28% to 4.43%	4.28% to 4.43%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30. Share-based payments CONTINUED

d. XP Power Limited Restricted Share Plan 2020 (the "XP RSP 2020")

The XP RSP 2020 was approved by the shareholders on 21 April 2020. The only participants under the XP RSP 2020 are the Executive Directors who are granted Restricted Shares. Restricted Shares vest over the service period of five years. There is no performance condition attached.

Set out below are summaries of Restricted Shares granted under the plan:

	2023		2022	
	Number of shares under award	Weighted average exercise price per share under award	Number of shares under award	Weighted average exercise price per share under award
At 1 January	**9,753**	**£0.01**	6,230	£0.01
Granted during the year	**7,189**	**£0.01**	4,080	£0.01
Forfeited during the year	**(2,647)**	**£0.01**	(557)	£0.01
At 31 December	**14,295**	**£0.01**	9,753	£0.01
Exercisable at 31 December	**–**	**–**	–	–

Awards outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Shares under award 31 December 2023	Shares under award 31 December 2022
22 April 2020	22 October 2025	£0.01	**1,263**	1,263
22 April 2020	22 April 2026	£0.01	**1,712**	1,712
3 March 2021	3 March 2027	£0.01	**1,495**	1,495
10 May 2021	10 May 2027	£0.01	**–**	1,203
8 March 2022	8 March 2028	£0.01	**2,636**	4,080
17 March 2023	17 March 2029	£0.01	**4,686**	–
14 September 2023	14 September 2029	£0.01	**2,503**	–
Total			**14,295**	9,753

Fair value of awards

The fair value at grant date of awards granted during the year under the XP RSP 2020 is determined using the Black–Scholes model. The model inputs are as follows:

Options granted	7,189
Fair value at grant date	£18.49 to £18.91
Assumptions used:	
Share price	£21.48 to £21.97
Exercise price	£0.01
Expected volatility[1]	40.05% to 40.68%
Expected option life	5 years
Expected dividend yield	3.00%
Risk-free interest rate	3.28% to 4.28%

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

31. Financial risk management

The Group's activities expose it to capital risk, market risk (including currency risk and 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 Company, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

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.

b. Currency risk

The Group operates in North America, Europe and Asia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). The Group monitors and manages the currency risk 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. The Group also manages some currency exposure by entering into currency forwards with banks.

The Group's currency exposure is as follows:

£m	GBP	EUR	USD	SGD	Others	Total
At 31 December 2023						
Financial assets						
Cash and cash equivalents	2.1	1.7	8.2	0.3	1.1	13.4
Trade receivables	2.0	4.3	36.6	*	0.2	43.1
Bond receivables	–	–	36.7	–	–	36.7
Other current assets	*	0.3	3.7	*	0.2	4.2
ESOP loan to employees	*	–	–	–	–	*
Subtotal	4.1	6.3	85.2	0.3	1.5	97.4
Financial liabilities						
Borrowings	*	–	(126.1)	–	–	(126.1)
Trade and other payables	(2.5)	(2.1)	(35.1)	*	(3.7)	(43.4)
Lease liabilities	(0.4)	(13.3)	(37.3)	(3.6)	(0.1)	(54.7)
Provisions	*	(0.2)	(44.5)	(0.1)	(1.1)	(45.9)
Accrued consideration	(0.9)	–	–	–	(0.8)	(1.7)
Subtotal	(3.8)	(15.6)	(243.0)	(3.7)	(5.7)	(271.8)
Net financial assets/(liabilities)	0.3	(9.3)	(157.8)	(3.4)	(4.2)	(174.4)
Currency profile	0.3	(9.3)	(157.8)	(3.4)	(4.2)	(174.4)
Financial (assets)/liabilities denominated in the respective entities' functional currencies	(0.5)	9.8	162.6	–	2.9	174.8
Currency exposure of financial (liabilities)/assets	(0.2)	0.5	4.8	(3.4)	(1.3)	0.4

* Balance is less than £100,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. Financial risk management CONTINUED

£m	GBP	EUR	USD	SGD	Others	Total
At 31 December 2022						
Financial assets						
Cash and cash equivalents	0.9	2.5	17.6	0.3	2.1	23.4
Trade receivables	2.3	4.8	34.6	*	0.7	42.4
Bond receivables	–	–	37.0	–	–	37.0
Other current assets	0.2	0.2	0.4	*	0.3	1.1
ESOP loan to employees	*	–	–	–	–	*
Subtotal	3.4	7.5	89.6	0.3	3.1	103.9
Financial liabilities						
Borrowings	(0.2)	–	(174.2)	–	–	(174.4)
Trade and other payables	(3.1)	(1.5)	(34.1)	(1.2)	(5.0)	(44.9)
Lease liabilities	(0.6)	(13.6)	(33.1)	(4.0)	*	(51.3)
Provisions	(0.1)	(0.1)	(46.7)	(0.1)	–	(47.0)
Accrued consideration	(0.9)	–	–	–	(0.6)	(1.5)
Subtotal	(4.9)	(15.2)	(288.1)	(5.3)	(5.6)	(319.1)
Net financial (liabilities)/assets	(1.5)	(7.7)	(198.5)	(5.0)	(2.5)	(215.2)
Less: Currency forwards	10.6	–	–	–	–	10.6
Currency profile	9.1	(7.7)	(198.5)	(5.0)	(2.5)	(204.6)
Financial liabilities/(assets) denominated in the respective entities' functional currencies	0.8	8.1	203.6	–	0.1	212.6
Currency exposure of financial assets/(liabilities)	9.9	0.4	5.1	(5.0)	(2.4)	8.0

* Balance is less than £100,000.

Within the Group, the Company, with US dollar as its functional currency, has significant currency exposure to financial assets and liabilities denominated in sterling and SG dollar. If the sterling and SG dollar change against US dollar by 0.5% and 2.7% respectively (2022: sterling 10.2%, SG dollar 2.8%) with all other variables, including tax rates, being held constant, the effects arising from the net financial asset/(liability) that are exposed to currency risk will be as follows:

	2023 Profit after tax	2022 Profit after tax
GBP against USD		
– Strengthened	*	0.7
– Weakened	*	(0.7)
SGD against USD		
– Strengthened	**0.1**	(0.1)
– Weakened	**(0.1)**	0.1

Another subsidiary, with EUR as its functional currency, has significant currency exposure to financial assets and liabilities denominated in USD. If EUR changes against USD by 2.0% (2022: 10.7%) with all other variables, including tax rates, being held constant, the effects arising from the net financial asset/(liability) that are exposed to currency risk will be as follows:

	2023 Profit for the year	2022 Profit for the year
USD against EUR		
– Strengthened	(0.1)	0.3
– Weakened	0.1	(0.3)

* Balance is 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 dollar. The SOFR rate as of 31 December 2023 was 5.3%. In January 2024, the Group purchased an interest rate cap such that the interest payable on 100 million sterling of the Group's borrowing is capped at 5.5%, effective 2 April 2024. If the US dollar interest rates on the year end borrowings decreased by 1.0% (2022: 1.0%) with all other variables, including tax rates, being held constant, the profit for the year will be higher by £1.0 million (2022: £1.1 million) as a result of lower interest expense on these borrowings. If the US dollar interest rates on the year end borrowings increased by 1.0% (2022: 1.0%) with all other variables, including tax rates, being held constant, the profit for the year will be lower by £0.4 million (2022: £1.1 million) as a result of lower interest expense on these borrowings and the impact of the cap purchased.

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.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified gross domestic product (GDP) and the public policy of the countries in which it sells goods as the most relevant factors.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due and writes off the financial asset when a debtor is in significant financial difficulties and has defaulted on payment that is usually greater than 120 days past due. Where receivables are written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Debtors separately identified as credit-impaired

£m	2023	2022
Gross carrying amount	**0.1**	*
Less: loss allowance	**(0.1)**	*
Carrying amount net of allowance	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. Financial risk management CONTINUED

The Group's credit risk exposure in relation to trade receivables under IFRS 9 is set out in the provision matrix as follows:

		Past due					
£m	**Current**	**1–30 days**	**31–60 days**	**61–90 days**	**91–120 days**	**>120 days**	**Total**
At 31 December 2023							
North America region							
Expected loss rate	0.0%	0.1%	0.2%	0.2%	0.3%	2.2%	
Trade receivables	18.7	6.9	0.8	*	*	0.2	26.6
Loss allowance	–	*	*	*	*	*	*
Europe region							
Expected loss rate	0.0%	0.1%	0.2%	0.2%	0.3%	3.7%	
Trade receivables	8.0	2.0	0.1	0.1	*	0.1	10.3
Loss allowance	–	*	*	*	*	*	*
Asia region							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade receivables	4.9	1.0	0.4	*	*	*	6.3
Loss allowance	–	–	–	–	–	–	–

		Past due					
£m	**Current**	**1–30 days**	**31–60 days**	**61–90 days**	**91–120 days**	**>120 days**	**Total**
At 31 December 2022							
North America region							
Expected loss rate	0.0%	0.1%	0.2%	0.2%	0.3%	0.1%	
Trade receivables	20.2	3.1	0.5	*	*	0.3	24.1
Loss allowance	–	*	*	*	*	*	*
Europe region							
Expected loss rate	0.0%	0.1%	0.2%	0.2%	0.3%	10.8%	
Trade receivables	10.3	1.7	0.2	*	0.1	0.1	12.4
Loss allowance	–	*	*	*	*	*	*
Asia region							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Trade receivables	4.3	0.9	0.7	*	–	*	5.9
Loss allowance	–	–	–	–	–	–	–

* Balance is less than £100,000.

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

£m	**2023**	**2022**
At 1 January	*	*
Loss allowance[(a)] recognised in profit or loss during the year on assets acquired/originated	(0.1)	*
Receivables written off as uncollectible	*	–
Currency translation differences	*	*
At 31 December	(0.1)	*

(a) Loss allowance measured at lifetime ECL.

* Balance is 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 forecasts on a 20 weeks outlook basis and review them on a weekly basis with management.

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

The Group's debt is sourced from a Revolving Credit Facility (RCF) provided by HSBC UK Bank PLC, J.P. Morgan Securities PLC, DBS Bank Ltd, Banco de Sabadell S.A., Commerzbank Aktiengesellschaft and Bank of China Limited. The current facility has not changed during 2023 and remains at US$255 million. The RCF facility is in place up to June 2026 and there is an option to extend for a further one year to June 2027 subject to lender consent. The facility has no fixed repayment terms until maturity. The revolving loan is priced based on the Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York plus a margin. The current margins for the utilisation facility range from 1.5–3.25%, depending on the Net Debt: Adjusted EBITDA ratio for the previous quarter and a margin of 40% of the utilisation facility margin for the unutilised facility.

The main features of the RCF are as follows:

- The interest rate on the amounts drawn under the facility is determined as USD SOFR plus margin depending on leverage ratio.
- Market standard financial covenants of the facility, as discussed below.

The covenants to 31 December 2023 include:

- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of 3.5x until 31 December 2024, returning to a multiple of 3x thereafter.
- Consolidated EBITDA must also cover relevant finance charges by a minimum of 3x until 30 September 2025, returning to a multiple of 4x thereafter.

For covenant testing purposes, the Group's definition of consolidated EBITDA is adjusted to exclude certain items as detailed in Note 4. 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 2023 both of these covenants were met.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. Financial risk management CONTINUED

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2023					
Trade and other payables	**43.4**	**–**	**–**	**–**	**43.4**
Lease liabilities	**4.7**	**5.8**	**13.8**	**83.0**	**107.3**
Accrued consideration	**–**	**1.7**	**–**	**–**	**1.7**
Borrowings, including interest	**11.9**	**11.0**	**136.6**	**–**	**159.5**
Total	**60.0**	**18.5**	**150.4**	**83.0**	**311.9**
At 31 December 2022					
Trade and other payables	44.9	–	–	–	44.9
Lease liabilities	2.9	4.1	14.6	68.7	90.3
Accrued consideration	–	–	1.5	–	1.5
Borrowings, including interest	12.6	11.6	195.7	–	219.9
Total	60.4	15.7	211.8	68.7	356.6

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 presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

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).

As at 31 December 2023 £m	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	–	–	–	–
Liabilities				
Derivative financial instruments	–	–	–	–
As at 31 December 2022 £m				
Assets				
Derivative financial instruments	–	*	–	*
Liabilities				
Derivative financial instruments	–	(0.1)	–	(0.1)

* Balance is less than £100,000.

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

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 currency forwards is determined using quoted forward currency rates at the balance sheet date. These derivative financial instruments are included in Level 2.

g. Financial instruments by category

The carrying amount of the different categories of financial instruments are as follows:

£m	2023	2022
Financial assets, at FVPL	**–**	*
Financial liabilities, at FVPL	**(1.7)**	(1.6)
Financial assets, at amortised cost	**97.4**	103.9
Financial liabilities, at amortised cost	**(270.1)**	(317.5)

* Balance is less than £100,000.

h. Offsetting financial assets and financial liabilities

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

32. Information

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of XP Power Limited on 4 March 2024.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

£'000	Note	2023	2022
ASSETS			
Current assets			
Cash and bank balances	36	**3,264**	9,337
Trade and other receivables	37	**89,728**	91,767
Other current assets	38	**849**	3,570
Derivative financial instruments	39	**–**	56
Inventories	40	**16,188**	15,078
Total current assets		**110,029**	119,808
Non-current assets			
Investment in subsidiaries	35	**46,630**	49,258
Property, plant and equipment	41	**2,308**	2,690
Right-of-use assets	42	**3,235**	3,832
Intangible assets	43	**33,167**	36,267
Long-term receivable	46	**7,070**	7,468
Total non-current assets		**92,410**	99,515
Total assets		**202,439**	219,323
LIABILITIES			
Current liabilities			
Trade and other payables	45	**43,094**	112,307
Current income tax liabilities	47	**3,472**	3,217
Derivative financial instruments	39	**–**	129
Lease liabilities		**341**	329
Provisions		**–**	11
Total current liabilities		**46,907**	115,993
Non-current liabilities			
Deferred income tax liabilities	44	**5,760**	6,085
Provisions		**295**	96
Lease liabilities		**3,220**	3,703
Total non-current liabilities		**9,275**	9,884
Total liabilities		**56,182**	125,877
NET ASSETS		**146,257**	93,446
EQUITY			
Share capital	48	**73,778**	29,775
Share-based payments reserve	48	**512**	1,377
Translation reserve	48	**17,931**	25,358
Other reserve		**899**	–
Retained earnings	48	**53,137**	36,936
TOTAL EQUITY		**146,257**	93,446

* Balance is less than £1,000.

NOTES TO THE COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

33. 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 19 Tai Seng Avenue, #07-01, Singapore 534054.

The nature of the Company's operations and its principal activities are providing power supply solutions and acting as an investment holding company.

34. Basis of preparation

The Company applies the same principal accounting policies as the Group as set out in Note 2 under the Group Consolidated Financial Statements, except for the following which is only applicable to the Company:

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries are stated at cost less accumulated impairment losses in the balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

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.

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

(a premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

(b the amount of expected loss computed using the impairment methodology under IFRS 9.

a. Changes in accounting policy and disclosures

i New and amended standards adopted by the Group

On 1 January 2023, the Company adopted the new or amended IFRS, Interpretations issued by the IFRS Interpretations Committee of the IASB (IFRIC) and Interpretations of SFRS(I) (INT SFRIS(I)) (collectively referred to as "Standards and Interpretations") 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 Standards and Interpretations.

The adoption of these new or amended Standards and Interpretations 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.

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 2023 reporting periods and have not been early adopted by the Company. These are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE COMPANY BALANCE SHEET CONTINUED
AS AT 31 DECEMBER 2023

35. Investment in subsidiaries

£'000	2023	2022
Cost at carrying value		
At 1 January	**49,258**	43,928
Currency translation differences	**(2,628)**	5,330
At 31 December	**46,630**	49,258

Name of Subsidiary	Places of business/ country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
XP Power Plc	UK	100	100
XP Power Singapore Holdings Pte Limited	Singapore	100	100

36. Cash and bank balances

£'000	2023	2022
Cash at bank	**3,264**	9,337
Total	**3,264**	9,337

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

	GBP £'000	USD £'000	EUR £'000	SGD £'000	JPY £'000	TOTAL £'000
At 31 December 2023	**381**	**1,784**	**838**	**258**	**3**	**3,264**
At 31 December 2022	224	8,443	411	256	3	9,337

37. Trade and other receivables

£'000	2023	2022
Trade receivables	**6,295**	5,426
Trade receivables from subsidiaries	**6,135**	9,571
Other receivables from subsidiaries	**22,467**	21,155
Loan receivables from a subsidiary	**54,831**	55,615
Total	**89,728**	91,767

The average credit period taken on sales of goods to third party is 50 days (2022: 54 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 subsidiary is unsecured and bears interest at SOFR plus 2.0% p.a.

Trade and other receivables from subsidiaries are interest free.

38. Other current assets

£'000	2023	2022
Prepayments	**360**	514
Deposit	**18**	33
VAT receivables	**437**	3,013
Other receivables	**34**	10
Total	**849**	3,570

39. Derivative financial instruments

Currency forwards

Derivative financial instruments comprise of the USD/GBP currency forwards used to manage the exposure from issuance of dividends in GBP. Hedge accounting has not been applied to these contracts:

The contracted notional principal amounts and fair values of these currency forwards are as follows:

	Assets		Liabilities	
31 December 2023 £'000	Contractual notional amount	Fair value	Contractual notional amount	Fair value
Currency forwards (current)	–	–	–	–

	Assets		Liabilities	
31 December 2022 £'000	Contractual notional amount	Fair value	Contractual notional amount	Fair value
Currency forwards (current)	3,500	56	7,050	(129)

40. Inventories

£'000	2023	2022
Finished goods	**16,188**	15,078

NOTES TO THE COMPANY BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2023

41. Property, plant and equipment

£'000	Freehold land	Building	Plant and equipment	Motor vehicles	Building improvements	Assets under construction	Total
Cost							
At 1 January 2022	215	1,731	1,861	41	511	240	4,599
Additions	–	–	458	–	–	415	873
Disposals	–	–	(167)	–	(312)	–	(479)
Transfer	–	–	–	–	650	(650)	–
Currency translation differences	27	210	248	5	143	(5)	628
At 31 December 2022	242	1,941	2,400	46	992	–	5,621
Additions	–	–	67	–	–	5	72
Disposals	–	–	(44)	–	–	–	(44)
Transfer	–	–	–	–	5	(5)	–
Currency translation differences	(13)	(104)	(129)	(3)	(52)	–	(301)
At 31 December 2023	**229**	**1,837**	**2,294**	**43**	**945**	**–**	**5,348**
Accumulated depreciation							
At 1 January 2022	–	681	1,548	41	491	–	2,761
Depreciation charge	–	57	158	–	84	–	299
Disposal	–	–	(162)	–	(312)	–	(474)
Currency translation differences	–	85	191	5	64	–	345
At 31 December 2022	**–**	**823**	**1,735**	**46**	**327**	**–**	**2,931**
Depreciation charge	–	57	189	–	71	–	317
Disposal	–	–	(44)	–	–	–	(44)
Currency translation differences	–	(45)	(97)	(3)	(19)	–	(164)
At 31 December 2023	**–**	**835**	**1,783**	**43**	**379**	**–**	**3,040**
Net book value							
At 31 December 2023	**229**	**1,002**	**511**	**–**	**566**	**–**	**2,308**
At 31 December 2022	242	1,118	665	–	665	–	2,690

Assets under construction in 2022 pertains to costs incurred for the renovation of office space which was completed in 2023.

42. Right-of-use assets

£'000	Leasehold land and buildings
At 1 January 2022	4,515
Depreciation charge	(535)
Modification of lease liability	(703)
Disposal	(4)
Currency translation differences	559
At 31 December 2022	**3,832**
Depreciation charge	(402)
Modification of lease liability	–
Disposal	–
Currency translation differences	(195)
At 31 December 2023	**3,235**

43. Intangible assets

£'000	Product development costs	Trademarks	Intangible software	Assets under development	Total
Cost					
At 1 January 2022	15,444	85	6,371	19,576	41,476
Additions	402	–	278	8,052	8,732
Transfer	1,760	–	11,847	(13,607)	–
Currency translation differences	1,880	10	1,760	1,729	5,379
At 31 December 2022	**19,486**	**95**	**20,256**	**15,750**	**55,587**
Additions	83	–	(84)	6,068	6,067
Disposal	–	–	(158)	–	(158)
Transfer	7,399	–	1,903	(9,302)	–
Currency translation differences	(1,205)	(5)	(1,126)	(765)	(3,101)
At 31 December 2023	**25,763**	**90**	**20,791**	**11,751**	**58,395**
Accumulated amortisation and impairment losses					
At 1 January 2022	12,792	–	1,397	–	14,189
Amortisation charge	1,563	–	1,680	–	3,243
Impairment charge	–	–	–	90	90
Currency translation differences	1,594	–	201	3	1,798
At 31 December 2022	**15,949**	**–**	**3,278**	**93**	**19,320**
Amortisation charge	3,061	–	2,077	–	5,138
Impairment charge	–	–	–	1,935	1,935
Currency translation differences	(906)	–	(223)	(36)	(1,165)
At 31 December 2023	**18,104**	**–**	**5,132**	**1,992**	**25,228**
Net book value					
At 31 December 2023	**7,659**	**90**	**15,659**	**9,759**	**33,167**
At 31 December 2022	3,537	95	16,978	15,657	36,267

The Company's trademarks used to identify and distinguish the Company's name and logo have a carrying amount of £90,000 (2022: £95,000). The Company 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 Company for an indefinite period. Therefore, the trademarks are carried at cost without amortisation, but are tested for impairment on an annual basis.

44. Deferred income tax liabilities

The movement in deferred income tax liabilities during the financial year is as follow:

£'000	Accelerated tax depreciation	Intangible assets amortisation	Others	Total
At 1 January 2022	(531)	(3,794)	(133)	(4,458)
Credited/(charged) to profit or loss	359	(1,433)	(1)	(1,075)
Currency translation differences	(51)	(513)	12	(552)
At 31 December 2022	(223)	(5,740)	(122)	(6,085)
(Charged)/credited to profit or loss	(17)	38	(17)	4
Currency translation differences	12	306	3	321
At 31 December 2023	**(228)**	**(5,396)**	**(136)**	**(5,760)**

NOTES TO THE COMPANY BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2023

45. Trade and other payables

£'000	2023	2022
Trade payables	**1,534**	2,983
VAT payables	**622**	3,321
Withholding tax	**41**	241
Accruals for operating expenses	**5,454**	5,459
Contract liabilities	**944**	1,434
Amount payable to subsidiaries	**34,499**	98,869
Total	**43,094**	112,307

Amount payable to subsidiaries includes advances from subsidiaries amounting to £7,096,000 (2022: £6,402,000), which pertain to cash pooling arrangements and are unsecured, repayable on demand and bear interest ranging from 1.5% to 3.0% p.a.

The Company borrows from subsidiaries at an interest rate of 1.5%–2.3% above SONIA or 2.3% above ESTR. The borrowing is repayable on demand. The outstanding amount as at year end is £4,512,000 (2022: £79,160,182).

46. Long-term receivable

£'000	2023	2022
Loans to subsidiaries	**7,070**	7,468
Total	**7,070**	7,468

Loans to subsidiaries are unsecured and denominated in the USD. The loans are repayable on demand and bear interest at SOFR plus 2.3% p.a.

47. Current income tax liabilities

Movement in current income tax liabilities:

£'000	2023	2022
At 1 January	**3,217**	1,422
Currency translation differences	**(284)**	172
Income tax paid (net of refund)	**(2,724)**	(1,050)
Tax expense	**3,585**	2,861
Over-provision in prior financial year	**(322)**	(188)
At 31 December	**3,472**	3,217

48. Share capital and reserves

a. Share capital

2023	No of ordinary shares	Amount £'000
Beginning of financial year	**19,742,296**	**29,775**
Shares issued	**3,946,958**	**44,003**
End of financial year	**23,689,254**	**73,778**

2022		
Beginning of financial year	19,642,296	29,774
Shares issued	100,000	1
End of financial year	19,742,296	29,775

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

In 2023, the Company issued 3,946,958 ordinary shares for a net consideration of £44,003,000. The newly issued shares rank pari passu in all aspects with the previously issued shares.

b. Share-based payments reserve

Share-based payments reserve represents the equity-settled share-based payments 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-based payments and is reduced by the expiry or exercise of share-based payments.

£'000	2023	2022
Balance at 1 January	**1,377**	951
Share-based payment expenses	**96**	310
Share options exercised	**(899)**	–
Currency translation differences	**(62)**	116
Balance at 31 December	**512**	1,377

c. Translation reserve

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

£'000	2023	2022
Balance at 1 January	**25,358**	16,386
Currency translation differences	**(7,427)**	8,972
Balance at 31 December	**17,931**	25,358

d. Retained earnings

The movement in retained earnings during the financial year is as follows:

£'000	2023	2022
Balance at 1 January	**36,936**	37,951
Dividends paid	**(14,812)**	(18,570)
Profit for the year	**31,013**	17,555
Balance at 31 December	**53,137**	36,936

NOTES TO THE COMPANY BALANCE SHEET CONTINUED
AS AT 31 DECEMBER 2023

49. Financial risk management

The Company's activities expose it to capital risk, market risk (including currency risk and 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 48.

b. Currency risk

The Company transacts in North America, Europe and Asia. The Company monitors and manages the currency risks 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. The Company manages some currency exposure by entering into currency forwards with banks.

The Company's currency exposure is as follows:

At 31 December 2023 £'000	GBP	EUR	USD	SGD	MYR	Others	Total
Financial assets							
Cash and cash equivalents	381	838	1,785	258	–	2	3,264
Trade and other receivables	13,365	1,095	71,412	94	3,686	76	89,728
Other current assets	–	–	37	7	8	–	52
Long-term receivables	–	–	7,070	–	–	–	7,070
Subtotal	13,746	1,933	80,304	359	3,694	78	100,114
Financial liabilities							
Trade and other payables	(17,707)	(4,703)	(18,336)	(632)	(17)	(92)	(41,487)
Lease liabilities	–	–	–	(3,561)	–	–	(3,561)
Provisions	–	–	(198)	(97)	–	–	(295)
Subtotal	(17,707)	(4,703)	(18,534)	(4,290)	(17)	(92)	(45,343)
Net financial (liabilities)/assets	(3,961)	(2,770)	61,770	(3,931)	3,677	(14)	54,771
Currency forwards	–	–	–	–	–	–	–
Currency profile excluding non-financial assets and liabilities	(3,961)	(2,770)	61,770	(3,931)	3,677	(14)	54,771
Less: Financial assets denominated in the entity's functional currency	–	–	61,770	–	–	–	61,770
Currency exposure of financial (liabilities)/assets	(3,961)	(2,770)	–	(3,931)	3,677	(14)	(6,999)

At 31 December 2022 £'000	GBP	EUR	USD	SGD	MYR	Others	Total
Financial assets							
Cash and cash equivalents	224	411	8,443	255	–	4	9,337
Trade and other receivables	77	2,673	84,814	86	4,052	65	91,767
Other current assets	–	4	2	29	8	–	43
Long-term receivables		–	7,468	–	–	–	7,468
Subtotal	301	3,088	100,727	370	4,060	69	108,615
Financial liabilities							
Trade and other payables	(12,444)	(500)	(92,771)	(1,567)	–	(29)	(107,311)
Lease liabilities	–	–	–	(4,032)	–	–	(4,032)
Provisions	–	–	(11)	(96)	–	–	(107)
Subtotal	(12,444)	(500)	(92,782)	(5,695)	–	(29)	(111,450)
Net financial (liabilities)/assets	(12,143)	2,588	7,945	(5,325)	4,060	40	(2,835)
Currency forwards	10,550	–	–	–	–	–	10,550
Currency profile excluding ~non-financial assets and liabilities	(1,593)	2,588	7,945	(5,325)	4,060	40	7,715
Less: Financial assets denominated in the entity's functional currency	–	–	7,945	–	–	–	7,945
Currency exposure of financial (liabilities)/assets	(1,593)	2,588	–	(5,325)	4,060	40	(230)

If the SG dollar and Malaysian ringgit change against US dollar by 2.7% and 3.5% respectively (2022: SG dollar 2.8% and 6.0%) with all other variables, including tax rates, being held constant, the effects arising from the net financial asset/(liability) that are exposed to currency risk will be as follows:

	2023 Profit after tax	2022 Profit after tax
SGD against USD		
– Strengthened	**(94)**	(121)
– Weakened	**94**	121
MYR against USD		
– Strengthened	**117**	198
– Weakened	**(117)**	(198)

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.

The Company lends to subsidiaries at SOFR plus 2-2.3%. If the average interest rate on this loan increased/decreased by 1% with all other variables, including tax rates, being held constant, the profit for the year will be higher/lower by £548,000 (2022: £556,000) as a result of higher/lower interest income on this loan.

The Company has no significant interest-bearing assets, the Company's income is substantially independent of changes in the market interest rates.

The Company borrows from subsidiaries at an interest rate of 1.5%–2.3% above SONIA for one loan and 2.3% above ESTR for another loan. If the average interest rates on these borrowings increased/decreased by 0.87% (2022: 4.6%) with all other variables, including tax rates, being held constant, the profit for the year will be lower/higher by £442,232 (2022: £2,732,647) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE COMPANY BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2023

49. Financial risk management CONTINUED

d. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. For trade receivables the Company adopts a policy of only dealing with customers of appropriate credit history or rating. For other financial assets, the Company adopts the policy of only dealing with high credit quality counterparties.

The Company is not exposed to significant credit risk as a majority of the sales are made to the subsidiaries. Trade receivables are neither past due nor impaired and are substantially with companies with a good payment track record.

The Company does not hold any collateral and the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments on the balance sheet.

The Company applies the simplified approach by using the provision matrix to measure the lifetime expected credit loss for all trade receivables. In measuring the expected credit losses, it is based on the Company's two years' historical credit loss experience, and a provision matrix has been set up using the amount of bad debt incurred over the carrying value of the trade receivables per ageing brackets at each financial year end.

The Company's credit risk exposure in relation to trade receivables is set out in the provision matrix as follows:

		Past due					
£'000	Current	1–30 days	31–60 days	61–90 days	91–120 days	>120 days	Total
At 31 December 2023							
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Trade receivables	**4,889**	**4,015**	**2,622**	**417**	**363**	**124**	**12,430**
Loss allowance	**–**	**–**	**–**	**–**	**–**	**–**	**–**

		Past due					
£'000	Current	1–30 days	31–60 days	61–90 days	91–120 days	>120 days	Total
At 31 December 2022							
Expected loss rate	0%	0%	0%	0%	0%	0%	
Trade receivables	5,636	7,036	1,074	703	267	281	14,997
Loss allowance	–	–	–	–	–	–	–

The Company monitors the credit risk of the related parties based on the past due information to assess if there is any significant increase in credit risk. The related corporation has made interest payment on a timely basis and considered to have low risk of default. The loan balance of £7,070,000 (2022: £7,468,000) is measured on 12-month expected credit losses. The credit loss is immaterial.

The Company assessed the credit risk of each intercompany loan by considering the terms of the loans, whether the loan is past due, borrower's cash position, revenue, profit before tax and net assets. Based on these, it was concluded that the credit risk is low and hence, the Company computes the expected credit loss on a 12-month basis instead of a lifetime approach.

Financial assets at amortised costs

The Company uses the following categories of internal credit risk rating for financial assets, which are subject to expected credit losses under the three-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Performing	Underperforming	Non-performing	Write off
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows	Issuers for which there is a significant increase in credit risk, as significant in credit risk is presumed if interest and/or principal repayment are 30 days past due	Interest and/or principal payments are 90 days past due	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off

e. Liquidity risk

The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

£'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2023					
Trade and other payables	**41,487**	**–**	**–**	**–**	**41,487**
Lease liabilities	**527**	**537**	**1,616**	**1,754**	**4,434**
Total	**42,014**	**537**	**1,616**	**1,754**	**45,921**

£'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2022					
Trade and other payables	107,311	–	–	–	107,311
Lease liabilities	541	549	1,682	2,382	5,154
Total	107,852	549	1,682	2,382	112,465

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

NOTES TO THE COMPANY BALANCE SHEET CONTINUED

AS AT 31 DECEMBER 2023

49. Financial risk management CONTINUED

f. Fair value measurements

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

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).

£'000	Level 1	Level 2	Level 3	Total
As at 31 December 2023				
Assets				
Derivative financial instruments	–	–	–	–
Liabilities				
Derivative financial instruments	–	–	–	–
As at 31 December 2022				
Assets				
Derivative financial instruments	–	56	–	56
Liabilities				
Derivative financial instruments	–	(129)	–	(129)

g. Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

£'000	2023	2022
Financial assets, at FVPL	**–**	56
Financial liabilities, at FVPL	**–**	(129)
Financial assets, at amortised cost	**100,114**	108,615
Financial liabilities, at amortised cost	**(45,343)**	(111,450)

h. Offsetting financial assets and financial liabilities

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

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	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Results					
Revenue	**316.4**	290.4	240.3	233.3	199.9
Profit/(loss)from operations	**24.5**	(24.1)	29.7	37.4	26.7
Profit/(loss) before tax	**11.2**	(30.2)	28.4	35.7	24.0
Assets employed					
Non-current assets	**254.3**	255.1	150.5	135.2	137.4
Current assets	**192.0**	226.6	121.7	107.0	96.0
Current liabilities	**(100.0)**	(106.2)	(49.0)	(34.7)	(30.4)
Non-current liabilities	**(191.0)**	(236.0)	(50.8)	(43.0)	(64.1)
Net assets	**155.3**	139.5	172.4	164.5	138.9
Financed by					
Equity	**154.6**	138.6	171.5	163.8	138.2
Non-controlling interests	**0.7**	0.9	0.9	0.7	0.7
	155.3	139.5	172.4	164.5	138.9
Key statistics (pence)					
(Loss)/earnings per share	**(45.4)**	(102.0)	115.8	163.0	107.0
Adjusted earnings per share	**81.9**	160.6	179.4	201.8	144.1
Diluted (loss)/earnings per share	**(45.3)**	(101.6)	113.8	160.3	105.0
Diluted adjusted earnings per share	**81.8**	160.1	176.3	198.4	141.4
Share price in the year (pence)					
High	**2,680.0**	5,250.0	5,700.0	4,790.0	3,110.0
Low	**776.0**	1,464.0	4,630.0	2,130.0	1,965.0
Dividends per share (pence)	**18.0**	94.0	94.0	74.0	55.0

ADVISERS

Company Brokers

Investec
2 Gresham Street
London
EC2V 7QP
United Kingdom

Principal Bankers

HSBC Bank plc
Level 7
Thames Tower
Station Road
Reading
RG1 1LX
United Kingdom

Solicitors

Eversheds Sutherland
1 Wood Street
London
EC2V 7WS
United Kingdom

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

Company Secretary

M & C Services Private Limited
112 Robinson Road #05-01
The Corporate Office
Singapore 068902

Auditors

PricewaterhouseCoopers LLP
7 Straits View
Marina One, East Tower, Level 12
Singapore 018936

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Consultancy, design and production by:
jonesandpalmer.co.uk

XP POWER LIMITED
19 Tai Seng Avenue, #07-01, Singapore 534054
T: +65 6411 6900 F: +65 6479 6305

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