Consolidated profit and loss account

Year ended 31 December 2002

£ Millions

	Note	2002	2001 Restated (*)
Turnover			
Continuing operations	2	64.0	86.5
Cost of sales		(43.6)	(61.1)
Gross profit		**20.4**	**25.4**
Selling and distribution		(12.2)	(13.3)
Total administrative expenses		(7.3)	(8.1)
Other operating income		0.1	0.1
Operating profit			
Continuing operations		1.0	4.1
Group operating profit		**1.0**	**4.1**
Share of associates' operating profit		0.1	0.1
Total operating profit		**1.1**	**4.2**
Interest receivable and similar income		0.2	-
Interest payable and similar charges		(0.6)	(0.5)
Profit on ordinary activities before taxation		**0.7**	**3.7**
Tax on profit on ordinary activities		(0.6)	(1.4)
Profit on ordinary activities after taxation		**0.1**	**2.3**
Minority interest		(0.1)	0.5
Profit attributable to IFX shareholders		**-**	**2.8**
Dividends payable	8	(2.5)	(2.5)
Retained profit for the period		**(2.5)**	**0.3**
Basic and diluted earnings per share	9	0.0p	13.6p
Diluted earnings per share	9	0.0p	13.5p
Adjusted earnings per share - diluted	9	7.3p	19.3p

*The 2001 tax charge has been decreased by £0.2 million owing to the adoption of Financial Reporting Standard 19 - Accounting for deferred tax (see Note 7). The impact on 2002 has not been material.

Continuing operations include the results of acquisitions made during the year. It is not practicable to determine the post-acquisition results to the end of the year of acquisition. This is due to the trade and assets of the business being acquired being incorporated into the existing trade and assets of the Group and consequently, their results are not separately identifiable post-acquisition.

All activities derive from continuing operations.

The parent Company, IFX Power plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985, its profit after tax for the financial year dealt with in the accounts of IFX Power plc is £3.1 million.

Statement of total recognised gains and losses

Year ended 31 December 2002

£ Millions

	2002	2001
Profit attributable to IFX shareholders	-	2.8
Currency translation differences	(1.7)	0.2
Total recognised (losses)/gains relating to the year	**(1.7)**	**3.0**
Prior period adjustment (Note 27)	0.2	-
Total recognised (losses)/gains since last annual report	**(1.5)**	**3.0**

Combined reconciliation of movement in shareholders' funds and statement of movement on reserves

Year ended 31 December 2002

Group

£ Millions

	Called up share capital	Share premium account	Merger reserve	Profit and loss account	2002 Total	2001 Total
At the beginning of the year	0.2	27.0	0.2	5.7	33.1	32.8
Prior year adjustment (Note 27)	-	-	-	0.2	0.2	-
Restated opening position	**0.2**	**27.0**	**0.2**	**5.9**	**33.3**	**32.8**
Profit for the year	-	-	-	-	-	2.6
Dividends	-	-	-	(2.5)	(2.5)	(2.5)
Foreign Exchange	-	-	-	(1.7)	(1.7)	0.2
At the end of the year	**0.2**	**27.0**	**0.2**	**1.7**	**29.1**	**33.1**

Company

£ Millions

	Called up share capital	Share premium account	Profit and loss account	2002 Total	2001 Total
At the beginning of the year	0.2	27.0	0.1	27.3	27.2
Profit for the year	-	-	3.1	3.1	2.6
Dividends	-	-	(2.5)	(2.5)	(2.5)
Foreign Exchange	-	-	(0.5)	(0.5)	-
At the end of the year	**0.2**	**27.0**	**0.2**	**27.4**	**27.3**

Balance sheets

31 December 2002

£ Millions

	Note	Group 2002	Group 2001 Restated (*)	Company 2002	Company 2001
Fixed assets					
Intangible assets	10	23.0	20.0	-	-
Tangible assets	11	3.4	3.0	-	-
Investments	12	0.8	1.5	25.8	26.6
Own shares	13	0.4	0.5	-	-
Total fixed assets		**27.6**	**25.0**	**25.8**	**26.6**
Current assets					
Stocks	14	7.7	10.1	-	-
Debtors	15	10.8	12.6	12.5	3.3
Cash at bank and in hand		4.4	1.5	-	-
Total current assets		**22.9**	**24.2**	**12.5**	**23.1**
Creditors: amounts falling due within one year	17	**(12.6)**	**(13.0)**	**(4.9)**	**(1.6)**
Net current assets		**10.3**	**11.2**	**7.6**	**1.7**
Total assets less current liabilities		**37.9**	**36.2**	**33.4**	**28.3**
Creditors: amounts falling due after more than one year	18	**(8.2)**	**(3.4)**	**(6.0)**	**(1.0)**
Net assets		**29.7**	**32.8**	**27.4**	**27.3**
Capital and reserves					
Called up share capital	19	0.2	0.2	0.2	0.2
Share premium account		27.0	27.0	27.0	27.0
Merger reserve		0.2	0.2	-	-
Profit and loss account		1.7	5.9	0.2	0.1
Total equity shareholders' funds		**29.1**	**33.3**	**27.4**	**27.3**
Minority interest		0.6	(0.5)	-	-
Total capital and reserves		**29.7**	**32.8**	**27.4**	**27.3**

* The 2001 debtors figures has been increased by £0.2 million owing to the adoption of Financial Reporting Standard 19 – Accounting for deferred tax (see Note 27).

These financial statements were approved by the Board of Directors on 21 March 2003.

Signed on behalf of the Board of Directors

Larry Tracey – Executive Chairman

Duncan Penny – Chief Executive

Consolidated cashflow statement

Year ended 31 December 2002

£ Millions

	Note	2002	2001
Net cash inflow from operating activities	20	**8.3**	**6.5**
Returns on investments and servicing of finance			
Interest paid		(0.6)	(0.5)
Interest received		-	-
Net cash outflow from returns on investments and servicing of finance		**(0.6)**	**(0.5)**
Tax paid			
Corporation tax paid		(0.5)	(2.4)
Capital expenditure			
Purchase of freehold properties		-	(0.9)
Purchase of other tangible fixed assets		(0.9)	(1.4)
Sale of tangible fixed assets		0.3	0.1
Net cash outflow from capital expenditure		**(0.6)**	**(2.2)**
Free cashflow (before purchase of freehold properties)		**6.6**	**2.3**
Acquisitions			
Purchase of businesses, subsidiaries and associated undertakings	24	(5.7)	(7.1)
Equity dividends paid		**(2.5)**	**(2.5)**
Financing			
New loans		4.8	3.4
Net cashflow from financing		**4.8**	**3.4**
Increase/(decrease) in cash		**3.2**	**(4.8)**

Notes to the accounts

Year ended 31 December 2002

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. The acquisition of XP and Forx are accounted for using the merger method of accounting and all other subsidiaries using the acquisition method of accounting in accordance with Financial Reporting Standard 6, 'Acquisitions and Mergers'.

Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life up to a maximum of 20 years. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Plant and machinery	-	25 - 33%
Motor vehicles	-	25%
Office equipment	-	25 - 33%
Leasehold improvements	-	10% or over the life of the lease if shorter
Long leasehold land and buildings	-	Term of the lease

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Associates

In the Group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents material and appropriate overheads based on normal levels of activity.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the accounts

Year ended 31 December 2002

Taxation (continued)

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be reduced.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Prior year figures have been restated to reflect the requirements of Financial Reporting Standard 19, resulting in a tax credit of £0.2 million in the 2001 comparatives.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated into sterling at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening net assets and on foreign currency borrowings, to the extent they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Derivative financial instruments

The Group uses financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the period of the leases.

Pension costs

The Group operates various defined contribution pension schemes for its employees. Contributions are charged to the profit and loss account as they become payable.

Notes to the accounts

Year ended 31 December 2002

2. Segmental reporting

Turnover is attributable to the supply of electronic power supply solutions and takes place as set out below (by origin and destination):

£ Millions

	2002	2001
Turnover		
Europe	21.3	21.1
USA	42.7	65.4
Total turnover	**64.0**	**86.5**
Group operating profit		
Europe	(0.6)	1.0
USA	1.6	3.1
Total Group operating profit	**1.0**	**4.1**
Net assets		
Europe	2.9	3.4
USA	26.8	29.4
Total net assets	**29.7**	**32.8**

3. Information regarding employees (including Directors)

£ Millions

	2002	2001
Employee costs during the year		
Wages and salaries	11.3	11.1
Social security	1.3	1.0
Total	**12.6**	**12.1**

	Number	Number
Average number of persons employed		
Sales	136	112
Administration	87	90
Engineering	30	19
Total	**253**	**221**

Directors Remuneration, Interests and Transactions

Details of Directors' remuneration for the year, Directors' interests in the shares of the company and Directors' share options are provided in the audited part of the Directors Remuneration Report on page 15.

4. Interest receivable and similar income

Interest receivable and similar income relates to interest received on money market deposits.

5. Interest payable and similar charges

Interest payable and similar charges relates to interest payable on bank overdrafts and the Group's revolving credit facility plus associated fees.

Notes to the accounts

Year ended 31 December 2002

6. Profit on ordinary activities before taxation

£ Millions

	2002	2001
Profit on ordinary activities before taxation is after charging		
Amortisation of goodwill	1.5	1.2
Depreciation	0.8	0.5
Research and development costs	1.7	0.4
Rentals under operating leases	1.0	0.7
Fees paid to auditors:		
Audit	0.1	0.1
Other services - Tax	0.1	0.1

7. Tax on profit on ordinary activities

£ Millions

		2002	2001
United Kingdom corporation tax	- current year	0.8	1.2
Double tax relief		(0.7)	(0.4)
Overseas corporation tax	- current year	0.4	1.0
	- prior year	-	(0.2)
Total current tax		**0.5**	**1.6**
Deferred tax		0.1	(0.2)
Total		**0.6**	**1.4**

Included in the tax charge for the year ended 31 December 2001 is a credit of £0.2 million resulting from the change in the method of accounting for deferred tax assets and liabilities following the adoption of Financial Reporting Standard 19.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax to the profit before tax is as follows.

£ Millions

	2002	2001
Profit on ordinary activities before tax	**0.7**	**3.7**
Tax on profit on ordinary activities at standard United Kingdom tax rate of 30% (2001: 30%)	0.2	1.1
Higher rates of overseas corporation tax	-	0.1
Goodwill amortisation not deductible for tax purposes	0.3	0.4
Double tax relief	(0.2)	(0.4)
No relief for current year European losses	0.4	0.4
Timing differences	(0.2)	0.1
Release of prior year over provisions	-	(0.2)
Other (including non-deductible expenditure)	-	0.1
Current tax charge for the period	**0.5**	**1.6**

Subject to the mix of the Group's profits in the various territories in which it operates, the Group is not currently aware of any factors, other than the above, which may have a material impact on the future tax charges.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As these earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Notes to the accounts

Year ended 31 December 2002

8. Dividends

£ Millions

	Pence per share	2002 £	Pence per share	2001 £
Interim paid	5.0p	1.0	5.0p	1.0
Final Proposed	7.0p	1.5	7.0p	1.5
Total		**2.5**		**2.5**

The interim dividend was waived on 623,351 shares. All the shares on which dividends were waived were held in the Group's ESOP.

9. Earnings per share

£ Millions

	2002	2001 Restated (Note 27)
Earnings for the financial period for basic earnings per share	-	2.8
Amortisation of goodwill	1.5	1.2
Earnings for adjusted earnings per share	**1.5**	**4.0**
Weighted average number of shares (thousands) – basic	20,514	20,568
Weighted average number of shares (thousands) – diluted	20,646	20,712
Basic earnings per share	0.0p	13.6p
Diluted earnings per share	0.0p	13.5p
Earnings per share adjusted for goodwill and exceptional costs of re-organisation (diluted).	7.3p	19.3p

Supplementary earnings per share figures are presented. These exclude the effects of exceptional items and goodwill amortisation and are presented to allow comparison to prior year on a like for like basis.

10. Intangible fixed assets

£ Millions

Cost	
At 1 January 2002	21.7
Acquisitions	4.9
Foreign exchange	(0.6)
At 31 December 2002	**26.0**
Accumulated amortisation	
At 1 January 2002	1.7
Charge for the year	1.5
Foreign exchange	(0.2)
At 31 December 2002	**3.0**
Net book value	
At 31 December 2002	**23.0**
At 31 December 2001	20.0

Goodwill arises on the consolidation of subsidiary undertakings. Goodwill is amortised over a maximum of 20 years which the Directors consider is a reasonable estimate of its economic life.

Details of acquisitions in the year which give rise to the goodwill are set out in Note 24 to these accounts.

The remainder of the additions to goodwill relates to the acquisition of minority interests in European subsidiaries and the transfer of MPI-XP Power AG to a subsidiary (refer to Note 12).

Notes to the accounts

Year ended 31 December 2002

11. Tangible fixed assets

£ Millions

	Plant and machinery	Motor vehicles	Office equipment	Long leasehold land and buildings	Total
Cost					
At 1 January 2002	1.2	0.8	1.2	1.5	4.7
Additions	0.3	0.2	0.3	0.1	0.9
Disposals	(0.3)	(0.4)	(0.1)	(0.1)	(0.9)
Acquisitions	1.8	-	0.6	0.2	2.6
Foreign exchange	(0.2)	-	(0.1)	-	(0.3)
At 31 December 2002	**2.8**	**0.6**	**1.9**	**1.7**	**7.0**
Depreciation					
At 1 January 2002	0.6	0.4	0.7	-	1.7
Charge	0.3	0.2	0.2	0.1	0.8
Disposals	(0.3)	(0.3)	-	(0.1)	(0.7)
Acquisitions	1.2	-	0.6	0.2	2.0
Foreign exchange	(0.1)	-	(0.1)	-	(0.2)
At 31 December 2002	**1.7**	**0.3**	**1.4**	**0.2**	**3.6**
Net book amounts					
At 31 December 2002	**1.1**	**0.3**	**0.5**	**1.5**	**3.4**
At 1 January 2002	0.6	0.4	0.5	1.5	3.0

At 31 December 2002 the Company had no material outstanding capital commitments (2001: zero).

12. Fixed asset investments

Group

Associated Undertakings

£ Millions	Goodwill	Share of Net Assets	Total
At 1 January 2002	0.9	0.6	1.5
Associate converted to subsidiary	(0.5)	(0.3)	(0.8)
Profits retained for the year	-	0.1	0.1
At 31 December 2002	**0.4**	**0.4**	**0.8**

The during the year the Group reached an agreement with the majority shareholders of MPI-XP Power AG ("MPI") whereby the Group is committed to purchase the remaining 75% of the equity it does not already own in 2006. As part of this agreement the Group also gained management control of MPI. Consequently MPI is now accounted for as a subsidiary of the Group rather than an associated company. The net assets at the point at which control was gained were £907,000, the minority interest was £680,000.

The principal associated undertakings are Powersolve Electronics Limited (40% ownership) and XP Electronics Limited (20% ownership).

The latest available audited financial statements for Powersolve Electronics Limited are for the year ended 31 December 2001. These accounts show share capital and reserves of £410,000 and a profit after taxation of £87,000.

The latest available audited financial statements for XP Electronics Limited are for the year ended 31 December 2001. These accounts show share capital and reserves of £612,000 and a loss after tax of £179,000.

The goodwill amortisation charge in respect of associates acquired in the year was £20,000.

Notes to the accounts

Year ended 31 December 2002

12. Fixed asset investments (continued)

Company

Cost and Net Book Value

£ Millions	Shares in Subsidiary Undertakings	Shares in Associated Undertakings	Total
At 1 January 2002	25.8	0.8	26.6
Transferred to XP PLC	-	(0.8)	(0.8)
At 31 December 2002	**25.8**	**-**	**25.8**

Principal subsidiary companies:

Name	Activity	Country of incorporation	% Ownership
Aston Technologies, Inc.	Provision of power supplies	USA	100%
Forx, Inc.	Holding Company	USA	100%
Kamuk-XP Power ApS	Provision of power supplies	Denmark	100%
MPI-XP Power AG	Provision of power supplies	Switzerland	25%
XP Energy Systems	Uninterruptible power supplies	UK	100%
XP-ForeSight, Inc.	Provision of power supplies	USA	100%
XPiQ	Provision of power supplies	USA	100%
XP PLC	Provision of power supplies	UK	100%
XP Power BV	Provision of power supplies	Holland	100%
XP Power GmbH	Provision of power supplies	Germany	100%
XP Power Ltd	Holding Company	UK	100%
XP Power Norway AS	Provision of power supplies	Norway	100%
XP Power SA	Provision of power supplies	France	84%
XP Power Sweden AB	Provision of power supplies	Sweden	70%

13. Own shares

As at 31 December 2002, the Group's Employee Share Ownership Plan (ESOP) held 623,351 (2001: 615,851) shares at a value of £416,000 (2001: £468,000). These shares have been valued at the lower of cost and market value. 269,000 of these shares were under option at 31 December 2002. The shares are deployed at the discretion of the Trustees for the benefit of the employees. Costs are charged to the profit and loss account and dividends on the shares are waived.

14. Stocks

£ Millions	2002	2001
Goods for resale	7.7	10.1

15. Debtors

£ Millions	Group		Company	
	2002	2001	2002	2001
Trade debtors	9.3	11.0	-	-
Amounts due from Group undertakings	-	-	11.7	3.2
Deferred tax (Note 27)	0.1	0.2	-	-
Prepayments and other debtors	1.4	1.4	0.8	0.1
Total	**10.8**	**12.6**	**12.5**	**3.3**

Notes to the accounts

Year ended 31 December 2002

15. Debtors (continued)

The movement on the deferred tax asset is summarised as follows.

£ Millions

	Group 2002	Group 2001 Restated (Note 27)
Deferred tax asset at 1 January 2002	-	-
Financial reporting standard 19 adjustment (see Note 27)	0.2	-
Deferred tax asset at January 2002 as restated	**0.2**	**-**
Charge for the period	(0.1)	-
Deferred tax asset at 31 December 2002	**0.1**	**-**

16. Bank loans and overdrafts

On 22 August 2001 the Group obtained a multi-currency revolving credit facility from Bank of Scotland totalling £20 million committed for three years at an interest rate of 1.5% above LIBOR in order to finance acquisitions. At 31 December 2002 £8.2 Million (2001: £3.4 million) had been drawn down under this facility. In addition to this, the Group has a £10 million working capital facility which is repayable on demand.

Both facilities are secured on the assets of the Group.

17. Creditors: amounts falling due within one year

£ Millions

	Group		Company	
	2002	2001	2002	2001
Bank loans and overdrafts	4.0	4.3	3.3	-
Trade creditors	4.4	4.8	-	-
Accruals and deferred income	1.0	1.4	0.2	0.1
Deferred consideration	0.8	-	-	-
Corporation tax	0.7	0.7	-	-
Other taxation	0.3	0.3	-	-
Proposed dividend	1.4	1.5	1.4	1.5
Total	**12.6**	**13.0**	**4.9**	**1.6**

The deferred consideration is in respect of the acquisition of certain assets of Switching Systems International, is payable in July 2003 and is the maximum payable under the contract. The actual amount payable is contingent on Group's usage of the stocks acquired.

18. Creditors: amounts falling due after more than one year

£ Millions

	Group		Company	
	2002	2001	2002	2001
Bank loans and overdrafts	8.2	3.4	6.0	1.0

The bank loan at 31 December 2002 represents the amount drawn down under the multi-currency revolving credit facility from Bank of Scotland. As stated in Note 16, the credit facility is committed and therefore not repayable until 21 August 2004.

Notes to the accounts

Year ended 31 December 2002

19. Called up share capital

£ Thousands

	2002	2001
Authorised 35,000,000 ordinary shares of 1p each	350	350
Allotted and fully paid 21,137,118 ordinary shares of 1p each	211	211

20. Notes to the cashflow statement

i. Reconciliation of operating profit to net cash inflow from operating activities

£ Millions

	2002	2001
Operating profit	1.0	4.1
Depreciation and amortisation	2.3	1.7
Decrease in stocks	4.6	3.8
Decrease in debtors	4.0	5.3
Decrease in creditors	(2.5)	(8.4)
Other non cash flow movements	(1.1)	-
Net cash inflow from operating activities	**8.3**	**6.5**

ii. Reconciliation of net cashflow to movement in net (debt)/cash

£ Millions

	2002	2001
Increase/(decrease) in cash in the period	3.2	(4.8)
New loans	(4.8)	(3.4)
Cash acquired with subsidiaries	0.6	-
Change in net (debt)/cash	**(1.6)**	**(8.2)**
Net (debt)/cash at 1 January	**(6.2)**	**2.0**
Net (debt) at 31 December	**(7.8)**	**(6.2)**

iii. Analysis of changes in net debt

£ Millions

	At 1 January 2002	Cash flows	New Loans	At 31 December 2002
Cash	1.5	2.9	-	4.4
Net (overdraft)/cash	(4.3)	0.3	-	(4.0)
Total	**(2.8)**	**3.2**	**-**	**0.4**
Debt due after more than one year	(3.4)	-	(4.8)	(8.2)
Total	**(6.2)**	**3.2**	**(4.8)**	**(7.8)**

21. Operating leases and other commitments

At 31 December 2002 the Company was committed to making the following annual payments in respect of operating leases:

£ Millions

	Land and buildings
Leases which expire:	
Within one to two years	0.2
Within two to five years	0.8
After more than five years	0.1
Total	**1.1**

Notes to the accounts

Year ended 31 December 2002

22. Pensions

The Group operates a defined contribution pension scheme for its employees. Contributions are charged to the profit and loss account as they become payable.

23. Related party transactions

The Company has bought goods to the value of £1,460,000 (2001: £653,000) from, and sold goods to the value of £33,000 (2001: £42,000) principally to its associated undertaking XP Electronics Limited.

The amount payable to associates at 31 December 2002 is £185,000 (2001: £27,000) and the amount receivable is £3,000 (2001: £5,000). All transactions are conducted on an arm's length basis.

The Group has loaned £20,000 to one of its associates. The loan has been made on an arm's length basis and interest is charged at LIBOR plus 3%. The loan was outstanding at 31 December 2002.

Larry Tracey purchased a motor vehicle from the Group for £9,620. The transaction was conducted at fair market value.

Bravo Electronics, a company of which Ed Kramar is a Director, rented office space and services from XP-ForeSight Inc. at market rates until 31 March 2002. The amount paid in 2002 was US $45,000.

XPiQ Inc. rents office space at market rates from the S & S Realty Trust of which Rich Sakakeeny is a 50% owner. The annual rental is US $150,000.

24. Acquisitions

The Group acquired the business and operating assets of Switching Systems International (SSI) on 30 April 2002.

The net assets acquired are summarised below.

Balance sheets at acquisition

£ Millions	SSI
Tangible fixed assets	1.0
Stock	2.2
Debtors	1.7
Creditors and accruals	(2.0)
Net assets acquired	**2.9**
Fair value adjustment	(0.8)
Fair value of net assets acquired	**2.1**
Goodwill	4.0
Purchase consideration	**6.1**

Satisfied by:	
Cash consideration	5.1
Deferred consideration	0.8
Acquisition costs	0.2
Total	**6.1**

The losses after taxation of SSI prior to acquisition were as follows:

Year end to the date of acquisition	(1.1)
Preceding financial year ended 31 December 2001	(1.6)

Included in the Statement of Consolidated Cash Flows is £64,000 relating to the deferred consideration paid for Aston Technologies, Inc.

Notes to the accounts

Year ended 31 December 2002

25. Financial instruments

The Group's policies regarding derivatives and financial instruments are set out in the Financial Review on page 8 and the accounting policies on page 27. As permitted by FRS 13, short term debtors and creditors have been omitted from all disclosures other than foreign currency debtors and creditors which at 31 December 2002 were insignificant. There were no material gains or losses recognised or carried forward at the year end.

At the year end the Group had an outstanding forward exchange contract to buy US $7,819,000 and sell £5,059,204.

The only financial assets and liabilities that the Group had at 31 December 2002 (other than short term debtors and creditors) were cash at bank and in hand and bank overdrafts and the revolving credit facility which are subject to floating rates (LIBOR plus 1.5%). Further details of these financial assets and liabilities are shown in notes 14, 15, 16, 17 and 18.

There is no significant difference between the book value and the fair value of the Group's financial assets and liabilities.

The main functional currencies of the Group are the US Dollar, Sterling and Euro. The following analysis of net monetary assets and liabilities shows the Group's currency exposures at 31 December 2002. The amounts shown represent the transactional exposures that give rise to net currency gains or losses which are recognised in the profit and loss account. All such exposures arise in companies with sterling as their functional currency. There are inter-company loans between the UK and its European subsidiaries totalling £999,000 which are denominated in Euro and Swedish Kroner (2001: £967,000) and inter-company loans between the UK and its US subsidiaries totalling £4,518,000 (2001: nil) the translation differences on which do not go through the profit and loss account.

£ Thousands

	Net foreign currency monetary asset/(liability)
Norwegian Krone	396
Euro	207
Japanese Yen	(104)
Swedish Krone	98
Danish Krone	54
US Dollars	33
Total	**684**

26. Commitments

The Group is committed to acquiring the remaining 75% of the issued share capital of MPI-XP Power AG that it does not already own in 2006. The consideration will be a minimum of 4.9 million Swiss Francs (approximately £2.1 million).

27. Prior year adjustment

Included in the tax charge for the year ended 31 December 2001 is a credit of £0.2 million resulting from the change in the method of accounting for deferred tax assets and liabilities following the adoption of Financial Reporting Standard 19.

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