Consolidated Profit and Loss Account

Year ended 31 December **2003**

£ Millions	Note	**2003**	2002
Turnover	2	**59.4**	64.0
Cost of sales		**(39.5)**	(43.6)
Gross profit		**19.9**	20.4
Selling and distribution		**(11.4)**	(12.2)
Administrative expenses			
Research and development		**(1.9)**	(1.7)
Goodwill amortisation		**(1.5)**	(1.5)
Other administrative expenses		**(2.9)**	(4.1)
Total administrative expenses		**(6.3)**	(7.3)
Other operating income		**0.2**	0.1
Group operating profit		**2.4**	1.0
Share of associates' operating profit		**0.3**	0.1
Total operating profit		**2.7**	1.1
Profit on sale of own shares	13	**0.4**	–
Interest receivable and similar income	4	**–**	0.2
Interest payable and similar charges	5	**(0.6)**	(0.6)
Profit on ordinary activities before taxation	6	**2.5**	0.7
Tax on profit on ordinary activities	7	**(0.9)**	(0.6)
Profit on ordinary activities after taxation		**1.6**	0.1
Minority interest		**(0.2)**	(0.1)
Profit attributable to XP Power plc shareholders		**1.4**	–
Dividends payable	8	**(2.5)**	(2.5)
Retained loss for the period		**(1.1)**	(2.5)
Basic and diluted earnings per share	9	**7.0p**	0.0p
Diluted earnings per share adjusted for goodwill amortisation and profit on sale of own shares	9	**12.4p**	7.3p

Statement of Total Recognised Gains and Losses

Year ended 31 December **2003**

£ Millions	**2003**	2002
Profit attributable to XP Power plc shareholders	**1.4**	–
Currency translation differences	**(1.2)**	(1.7)
Total recognised gains/(losses) relating to the year	**0.2**	(1.7)
Prior year adjustment	**–**	0.2
Total recognised gains/(losses) since last annual report	**0.2**	(1.5)

All activities derive from continuing operations.

The parent Company, XP 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 XP Power plc is £2.9 million (2002 – £3.1 million).

Combined Reconciliation of Movement in Shareholders' Funds and Statement of Movement on Reserves

Year ended 31 December **2003**

Group

£ Millions	Called up share capital	Share premium account	Merger reserve	Profit and loss account	**2003 Total**	2002 Total
At the beginning of the year	0.2	27.0	0.2	1.7	**29.1**	33.3
Profit for the year	–	–	–	1.4	**1.4**	–
Share buy back	–	–	–	(0.5)	**(0.5)**	–
Dividends	–	–	–	(2.5)	**(2.5)**	(2.5)
Foreign Exchange	–	–	–	(1.2)	**(1.2)**	(1.7)
At the end of the year	0.2	27.0	0.2	(1.1)	**26.3**	29.1

Company

£ Millions	Called up share capital	Share premium account	Merger reserve	Profit and loss account	**2003 Total**	2002 Total
At the beginning of the year	0.2	27.0	–	0.2	**27.4**	27.3
Profit for the year	–	–	–	2.9	**2.9**	3.1
Share buy back	–	–	–	(0.5)	**(0.5)**	–
Dividends	–	–	–	(2.5)	**(2.5)**	(2.5)
Foreign Exchange	–	–	–	–	**–**	(0.5)
At the end of the year	0.2	27.0	0.0	0.1	**27.3**	27.4

During the year the Group bought back 470,000 shares at an average cost of 108.5 pence per share.

Balance Sheets

31 December **2003**

£ Millions	Note	Group 2003	Group 2002	Company 2003	Company 2002
Fixed assets					
Intangible assets	10	**22.4**	23.0	**–**	–
Tangible assets	11	**2.9**	3.4	**–**	–
Investments	12	**1.1**	0.8	**25.8**	25.8
Own shares	13	**0.0**	0.4	**–**	–
Total fixed assets		**26.4**	27.6	**25.8**	25.8
Current assets					
Stocks	14	**6.6**	7.7	**–**	–
Debtors	15	**11.5**	10.8	**9.6**	12.5
Cash at bank and in hand		**4.5**	4.4	**–**	–
Total current assets		**22.6**	22.9	**9.6**	12.5
Creditors: amounts falling due within one year	17	**(12.0)**	(12.6)	**(1.7)**	(4.9)
Net current assets		**10.6**	10.3	**7.9**	7.6
Total assets less current liabilities		**37.0**	37.9	**33.7**	33.4
Creditors: amounts falling due after more than one year	18	**(10.6)**	(8.2)	**(6.4)**	(6.0)
Net assets		**26.4**	29.7	**27.3**	27.4
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		**(1.1)**	1.7	**0.1**	0.2
Total equity shareholders' funds		**26.3**	29.1	**27.3**	27.4
Minority interest		**0.1**	0.6	**–**	–
Total capital and reserves		**26.4**	29.7	**27.3**	27.4

These financial statements were approved by the Board of Directors on 22 March 2004.

Signed on behalf of the Board of Directors

Larry Tracey – Executive Chairman

Duncan Penny – Chief Executive

Consolidated Cashflow Statement

Year ended 31 December **2003**

£ Millions	Note	**2003**	2002
Net cash inflow from operating activities	20	**5.3**	8.3
Returns on investments and servicing of finance			
Interest paid		**(0.6)**	(0.6)
Net cash outflow from returns on investments and servicing of finance		**(0.6)**	(0.6)
Tax paid			
Corporation tax paid		**(0.1)**	(0.5)
Capital expenditure			
Purchase of other tangible fixed assets		**(0.4)**	(0.9)
Sale of tangible fixed assets		**0.1**	0.3
Net cash outflow from capital expenditure		**(0.3)**	(0.6)
Free cashflow		**4.3**	6.6
Acquisitions			
Purchase of businesses, subsidiaries and associated undertakings		**–**	(5.7)
Equity dividends paid		**(2.5)**	(2.5)
Financing			
Share buy back		**(0.5)**	–
New loans		**–**	4.8
Net cashflow from financing		**(0.5)**	4.8
Increase in cash		**1.3**	3.2

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding 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 acquisitions 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
Tangible fixed assets are stated at cost net of depreciation and provision for impairment. Depreciation is provided on cost less estimated residual value in equal 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%
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.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

1. Accounting policies *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.

Turnover
Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes.

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 that 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 reduced 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 a defined contribution pension schemes for its employees. Contributions are charged to the profit and loss account as they become payable.

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	**2003**	2002
Turnover		
Europe	**23.0**	21.3
USA	**36.4**	42.7
Total turnover	**59.4**	64.0
Group operating profit (before goodwill)		
Europe	**2.9**	0.2
USA	**2.1**	3.1
Corporate operating costs	**(1.1)**	(0.8)
Total group operating profit (before goodwill)	**3.9**	2.5
Amortisation of goodwill	**(1.5)**	(1.5)
Total group operating profit (after goodwill)	**2.4**	1.0
Operating net assets		
Europe	**9.3**	7.9
USA	**25.0**	31.0
Total operating net assets	**34.3**	38.9

Operating net assets are defined as net assets adjusted for net borrowings and the proposed dividend.

	2003	2002
Net assets	**26.4**	29.7
Net debt	**6.5**	7.8
Proposed dividend	**1.4**	1.4
Total operating net assets	**34.3**	38.9

3. Information regarding employees (including directors)

£ Millions	**2003**	2002
Employee costs during the year:		
Wages and salaries	**9.4**	11.0
Social security	**1.2**	1.8
Pensions	**0.1**	0.1
Total	**10.7**	12.9

	Number	Number
Average number of persons employed:		
Sales	**104**	136
Administration	**93**	87
Engineering	**37**	30
Total	**234**	253

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 arrangement fees.

6. Profit on ordinary activities before taxation

£ Millions	**2003**	2002
Profit on ordinary activities before taxation is after charging:		
Amortisation of goodwill	**1.5**	1.5
Depreciation	**0.7**	0.8
Research and development costs	**1.9**	1.7
Rentals under operating leases – other	**1.0**	1.0
Fees paid to auditors:		
Auditors remuneration for Audit Services – Group	**0.1**	0.1
Other services - Tax	**0.1**	0.1

7. Tax on profit on ordinary activities

£ Millions	**2003**	2002
Current Tax		
United Kingdom corporation tax	**1.0**	0.8
Double tax relief	**(0.6)**	(0.7)
Overseas corporation tax	**0.5**	0.4
Total current tax	**0.9**	0.5
Deferred tax	–	0.1
Total tax on profit on ordinary activities	**0.9**	0.6

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	**2003**	2002
Profit on ordinary activities before tax	**2.5**	0.7
Tax on profit on ordinary activities at standard United Kingdom tax rate of 30% (2002: 30%)	**0.8**	0.2
Goodwill amortisation not deductible for tax purposes	**0.3**	0.3
Double tax relief	**(0.2)**	(0.2)
No relief for current year European losses	–	0.4
Timing differences	–	(0.2)
Current tax charge for the period	**0.9**	0.5

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.

8. Dividends

	Pence per share	**2003 £m**	Pence per share	2002 £m
Interim paid	**5.0p**	**1.0**	5.0p	1.0
Final Proposed	**7.0p**	**1.5**	7.0p	1.5
Total	**12.0p**	**2.5**	12.0p	2.5

The interim dividend was waived on 623,851 shares. All the shares on which dividends were waived were held in the Group's ESOP.

9. Earnings per share

£ Millions	**2003**	2002
Earnings for the financial period for basic earnings per share	**1.4**	0.0
Profit on sale of own shares	**(0.4)**	–
Amortisation of goodwill	**1.5**	1.5
Earnings for adjusted earnings per share	**2.5**	1.5
Weighted average number of shares (thousands) – basic	**20,046**	20,514
Weighted average number of shares (thousands) – diluted	**20,101**	20,646
Basic earnings per share	**7.0p**	0.0p
Diluted earnings per share	**7.0p**	0.0p
Diluted earnings per share adjusted for goodwill and profit on sale of own shares	**12.4p**	7.3p

Supplementary earnings per share figures are presented to exclude the effect of goodwill amortisation and the profit on sale of own shares as the board regards this to be more meaningful.

10. Intangible fixed assets

Group £ Millions	
Cost	
At 1 January 2003	26.0
Additions	1.5
Fair value adjustment	(0.5)
Foreign exchange	(0.1)
At 31 December 2003	**26.9**
Accumulated amortisation	
At 1 January 2003	3.0
Charge for the year	1.5
At 31 December 2003	**4.5**
Net book value	
At 31 December 2003	**22.4**
At 31 December 2002	23.0

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

10. Intangible fixed assets *continued*

The addition to goodwill of £1.5m relates to the acquisition of the remaining 75% of the shares in MPI-XP Power AG. The Group is committed to buying the remaining 75% of MPI-XP Power AG in 2006 for a minimum consideration of 4.9m Swiss Francs (£2.2m). For this reason the Board has decided that the liability for this deferred consideration should be recognised in the financial statements. The minority interest acquired was £0.7 million and the goodwill arising on this transaction is £1.5 million.

The fair value adjustment relates to the acquisition of Switching Systems International Inc. and arises as follows:

£ Millions	
Deferred consideration not paid	0.8
Additional fair value adjustment required to the value of stock	(0.3)
Total	0.5

11. Tangible fixed assets

Group

£ Millions	Plant and machinery	Motor vehicles	Office equipment	Long leasehold land & buildings	Total
Cost					
At 1 January 2003	2.8	0.6	1.9	1.7	7.0
Additions	0.1	0.1	0.1	0.1	0.4
Disposals	(0.2)	(0.2)	(0.3)	(0.1)	(0.8)
Foreign exchange	(0.2)	–	(0.1)	–	(0.3)
At 31 December 2003	**2.5**	**0.5**	**1.6**	**1.7**	**6.3**
Depreciation					
At 1 January 2003	1.7	0.3	1.4	0.2	3.6
Charge	0.3	0.1	0.2	0.1	0.7
Disposals	(0.2)	(0.2)	(0.3)	–	(0.7)
Foreign exchange	(0.2)	–	–	–	(0.2)
At 31 December 2003	**1.6**	**0.2**	**1.3**	**0.3**	**3.4**
Net book value					
At 31 December 2003	**0.9**	**0.3**	**0.3**	**1.4**	**2.9**
At 31 December 2002	1.1	0.3	0.5	1.5	3.4

At 31 December 2003 the Company had no material outstanding capital commitments (2002: £nil).

12. Investments held as fixed assets

Group

Associated Undertakings

£ Millions	Goodwill	Share of Net Assets	Total
At 1 January 2003	0.4	0.4	0.8
Profits retained for the year	–	0.3	0.3
At 31 December 2003	**0.4**	**0.7**	**1.1**

The principal associated undertakings are Powersolve Electronics (39.4%) and XP Electronics (20%).

12. Investments held as fixed assets *continued*

The latest available audited accounts for Powersolve Electronics Limited are for the year ended 31 December 2002. These accounts show share capital and reserves of £645,000 and a profit after taxation of £235,000.

The latest available audited financial statements for XP Electronics Limited are for the year ended 31 December 2002. These accounts show share capital and reserves of £553,000 and a loss after tax of £58,000.

The following information is given in respect of the Group's share of all associates

	2003 £000	2002 £000
Turnover	**1,908**	1,623
Fixed Assets	**35**	27
Current Assets	**857**	617
Liabilities < 1 year	**(225)**	(276)
Liabilities > 1 year	**(18)**	–

The Group's share of the principal associated undertakings, based on the 2003 unaudited management accounts is as detailed below:

	Powersolve	XP Electronics
Turnover	1,485	305
Profit before Tax	264	17
Fixed Assets	30	9
Current Assets	700	138
Liabilities < 1 year	(211)	(5)
Liabilities > 1 year	–	(14)

Company
Cost and Net Book Value
£ Millions

	Shares in Subsidiary Undertakings
At 1 January 2003 & 31 December 2003	25.8

Principal subsidiary companies:

Name	**Activity**	**Country of incorporation**	**% Ownership**
Forx, Inc.	Holding Company	USA	100%
MPI-XP Power AG	Provision of power supplies	Switzerland	100%*
XP-ForeSight, Inc.	Provision of power supplies	USA	100%
XPiQ Inc.	Provision of power supplies	USA	100%
XP Power ApS	Provision of power supplies	Denmark	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 Holdings Ltd	Holding Company	UK	100%
XP Power Norway AS	Provision of power supplies	Norway	100%
XP Power SA	Provision of power supplies	France	100%
XP Power Sweden AB	Provision of power supplies	Sweden	80%**

* See Note 10.
**See Note 25.

13. Own shares

As at 31 December 2003, the Group's Employee Share Ownership Plan (ESOP) held 774,851 (2002: 623,351) shares at a value of £4,398 (2002: £416,000). These shares have been valued at the lower of cost and market value. These shares were acquired from previous directors at a cost of one cent each.

On 29 December 2003 the Trust sold 400,000 shares to four executive directors, at the market value of 224 pence per share giving rise to a profit on disposal of £0.4m on a FIFO basis. The consideration for these shares is deferred until the shares are disposed of.

281,000 of these shares were under option at 31 December 2003. 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

	Group	
£ Millions	**2003**	2002
Goods for resale	**6.6**	7.7

15. Debtors

£ Millions	Group		Company	
	2003	2002	**2003**	2002
Trade debtors	**9.6**	9.3	**–**	–
Amounts due from group undertakings	**–**	–	**9.5**	11.7
Deferred tax	**0.1**	0.1	**–**	–
Prepayments and other debtors	**1.8**	1.4	**0.1**	0.8
Total	**11.5**	10.8	**9.6**	12.5

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

£ Millions	**Group 2003**	Group 2002
Deferred tax asset at 1 January 2003	**0.1**	–
Financial Reporting Standard 19 adjustment	**–**	0.2
Deferred tax asset at 1 January 2003 as restated	**0.1**	0.2
Charge for the period	**–**	(0.1)
Deferred tax asset at 31 December 2003	**0.1**	0.1

Other debtors include £0.9m due from Directors after more than one year for the shares acquired from the ESOP Trust (see Note 13).

16. Bank loans and overdrafts

On 12 December 2003 the Group renewed its multi-currency revolving credit facility with Bank of Scotland. The new facility is £10 million and is committed for three years at an interest rate of 1.5% above LIBOR and is provided for the purpose of financing acquisitions. At 31 December 2003 £8.4 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

	Group		Company	
£ Millions	**2003**	2002	**2003**	2002
Bank overdrafts	**2.6**	4.0	**0.1**	3.3
Trade creditors	**5.5**	4.4	**–**	–
Accruals and deferred income	**0.8**	1.0	**0.2**	0.2
Deferred consideration	**–**	0.8	**–**	–
Corporation tax	**1.4**	0.7	**–**	–
Other taxation	**0.3**	0.3	**–**	–
Proposed dividend	**1.4**	1.4	**1.4**	1.4
Total	**12.0**	12.6	**1.7**	4.9

The deferred consideration in 2002 was in respect of the acquisition of certain assets of Switching Systems International, and was the maximum payable under the contract. The amount actually payable was £nil.

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

	Group		Company	
£ Millions	**2003**	2002	**2003**	2002
Bank loans	**8.4**	8.2	**6.4**	6.0
Deferred consideration	**2.2**	–	**–**	–
Total	**10.6**	8.2	**6.4**	6.0

The bank loan at 31 December 2003 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 12 December 2006.

The deferred consideration relates to the Group's commitment that the remaining 75% MPI-XP Power AG will be purchased during 2006 for a minimum consideration of 4.9 million Swiss Francs (£2.2 million). See Note 24.

19. Called up share capital

£ Millions	**2003**	2002
Authorised 35,000,000 ordinary shares of 1p each	**0.3**	0.3
Allotted and fully paid 20,667,118 ordinary shares of 1p each (2002: 21,137,118)	**0.2**	0.2

During the year, 470,000 shares were bought back at an average price of 108.5p per share.

20. Notes to the cashflow statement

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

£ Millions	**2003**	2002
Operating profit	**2.4**	1.0
Depreciation and amortisation	**2.2**	2.3
Decrease in stocks	**0.6**	4.6
(Increase)/decrease in debtors	**(1.3)**	4.0
Decrease/(increase) in creditors	**1.4**	(2.5)
Other non cash flow movements	**–**	(1.1)
Net cash inflow from operating activities	**5.3**	8.3

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

£ Millions	**2003**	2002
Increase in cash in the period	**1.3**	3.2
New loans	**–**	(4.8)
Cash acquired with subsidiaries	**–**	0.6
Change in net cash	**1.3**	(1.6)
Net debt at 1 January	**(7.8)**	(6.2)
Net debt at 31 December	**(6.5)**	(7.8)

iii. Analysis of changes in net debt:

£ Millions	At 1 January 2003	Cash flows	At 31 December 2003
Cash	4.4	0.1	4.5
Overdraft	(4.0)	1.4	(2.6)
Total	**0.4**	**1.5**	**1.9**
Debt due after more than one year	(8.2)	(0.2)	(8.4)
Total	**(7.8)**	**1.3**	**(6.5)**

21. Operating leases and other commitments

At 31 December 2003 the Group Companies were committed to making the following annual payments in respect of operating leases:

£ Millions	Other
Leases which expire:	
Within one to two years	0.1
Within two to five years	0.7
After more than five years	0.1
Total	**0.9**

22. Related party transactions

The Company has bought goods to the value of £1,758,000 (2002: £1,460,000) from, and sold goods to the value of £25,000 (2002: £33,000) to associated undertakings.

The amount payable to associates at 31 December 2003 is £262,000 (2002: £185,000) and the amount receivable is £nil (2002: £3,000). 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 2003.

Duncan Penny purchased a motor vehicle from the Group for £13,875. The transaction was conducted at fair market value.

XPiQ, Inc. rents office space at a market rate of $180,000 per annum from the S & S Realty Trust of which Rich Sakakeeny is a 50% owner.

23. Financial instruments

The Group's policies regarding derivatives and financial instruments are set out in the Financial Review on page 12 and the accounting policies on pages 27 and 28. The Group does not trade in financial instruments. 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 2003 were insignificant. There were no material gains or losses recognised or carried forward at the year end.

The only financial assets and liabilities that the Group had at 31 December 2003 (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 2003. 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 £1,140,000 which are denominated in Euro, Norwegian Krone and Swedish Krona (2002: £999,000) and inter-company loans between the UK and its US subsidiaries totalling £1,362,000 (2002: £4,518,000) the translation differences on which do not go through the profit and loss account.

23. Financial instruments *continued*

£ Thousands	Net foreign currency monetary asset/(liability) **2003**	2002
Norwegian Krone	**359**	396
Euro	**(9)**	207
Japanese Yen	**(104)**	(104)
Swedish Krona	**397**	98
Danish Krone	**54**	54
US Dollars	**(251)**	33
Total	**446**	684

The undrawn committed borrowing facility at 31 December 2003 was £1.6m (2002: £11.8m). See Note 16.

24. Post Balance Sheet event

On 26 February 2004, XP Power plc acquired the 80% of the issued share capital of XP Electronics Ltd it did not already own. The total consideration of £1.0 million was satisfied by £0.9 million in cash and £0.1 million in shares in XP Power plc. The goodwill generated by the transaction was approximately £0.6 million.

On the same day, the Group also acquired the 20% minority interest in XP Power Sweden AB in exchange for 5,600 shares in XP Power plc.

Shareholders Notes

Shareholders Notes

Advisors

Year ended 31 December **2003**

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Auditors

Deloitte & Touche LLP
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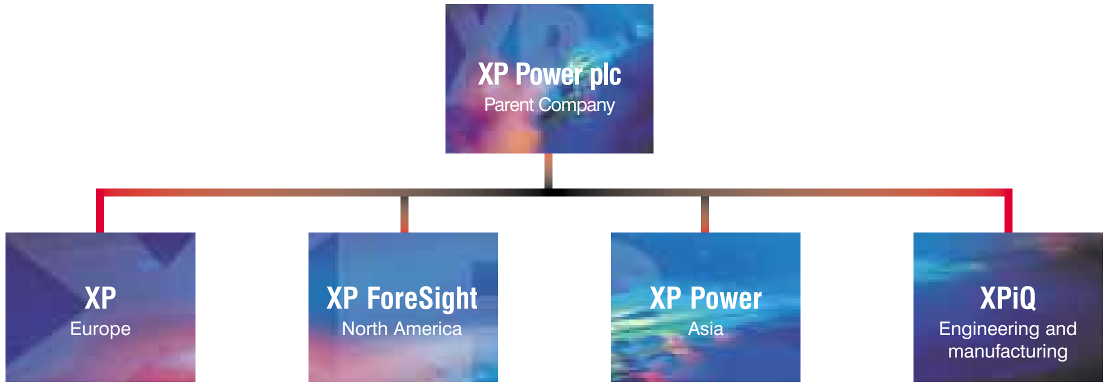

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