



The Year at a Glance

- Significant outperformance in the power supply sector with positive earnings.
- Gross margins improve 2.5% points to 31.9%.
- Introduced 37 new state of the art 'XP' branded product families up 23% from the prior year.
- Substantially increased the development engineering headcount with the acquisition of Switching Systems International.
- Improved management productivity from investment in IT systems.
- Strong cash flow enabled dividend to be maintained at 12p per share.

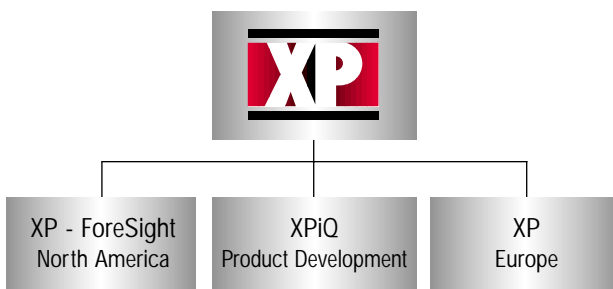


Larry Tracey,
Executive Chairman

"The best year yet for achievement by an experienced workforce pushing hard in the worst market conditions.

Progress made this year should benefit employees and shareholders during the next few years."

Over the last 18 months the Group has adopted 'XP' as its brand in both North America and Europe. For this reason we will be proposing a resolution at the forthcoming Annual General Meeting that the Company change its name from IFX Power plc to XP Power plc.



Background to the Group, its Products and Markets

The Group

The Group provides power supply solutions to the electronics industry. Power supplies take the relatively high voltage alternating current output from the mains supply and converts it into various lower voltage, stable direct current outputs that are required to drive most electronic equipment.

Products

The need for our customers to differentiate their product from that of their competition gives rise to a vast number of product requirements to satisfy the endlessly increasing combinations of voltages at different power levels.

The Group has over 5,000 products at its disposal plus access to custom manufacturing capability where necessary. The products range from AC to DC power supplies, DC to DC converters necessary for Distributed Power Architectures, through to Uninterruptible Power Supplies (UPS) and Power Protection Products. The Group also provides ancillary products such as filters and fans necessary for meeting Electro Magnetic Compatibility (EMC) legislation and thermal management.



With over 5000 products to choose from, our 'XPerts in Power' help customers design-in the most cost effective solution.

Value Added

We also provide a full value added capability to our customers. This involves providing the power supply in a format that makes it easier and therefore more cost effective for the customer to integrate into their product. This may require providing special housings, thermal and EMC management and specific cable harnesses or connectors.

Case Study

A manufacturer of broadband microwave amplifiers was looking for a power supply to fit the only available (and somewhat oddly shaped) space in their equipment.



A complete power supply solution using standard modules.

Because the power supply case formed a significant part of the amplifier's exterior, it required an accurately finished housing with an unusual step-shaped profile that fitted around the existing components.

The solution was a bespoke power supply built around a standard power factor corrected AC front end, with three standard DC-DC converters delivering a total of 1.7kWatts at 11 volts.

In addition, the unit generates three housekeeping voltages, a DC-ok signal and over-temperature indication. XP also supplied the amplifier's main cooling fans and EMC tested the whole assembly.

The result, a complete power supply solution built using standard modules, that allowed the customer to focus on his core activities.

Customers

The Group's customers operate in the mid-tier of the market. Mid-tier customers are small to medium sized original equipment manufacturers (OEMs) who can be characterised as having expertise in their particular area, whether it be medical devices, networking or industrial automation but generally do not have in-house power supply expertise.

Our technical sales force provides this expertise and assists our customers to design in a suitable power supply from our extensive range of products that meet both the customer's cost and technical requirements.

Technical requirements often involve helping the customer meet the relevant equipment safety standards that operate in their industry such as particular medical or telecom standards as well as Electro Magnetic Compatibility (EMC).



In-house testing and development facilities enable our engineers to optimise the EMC performance of our customer's equipment.

Our engineering team is available to help customers carry out EMC and thermal analysis and to integrate the power supply into their end equipment.

Our Brand

Over the last 18 months the Group has adopted 'XP' as its brand in both North America and Europe. The Group specifies and designs its own products under the XP brand as well as distributing other manufacturers' products.

We have a design engineering team of over 20 engineers based in Southern California and New England. Our products are manufactured for us by a number of manufacturing partners throughout the world.



The Xi Series - patent pending - launched in February 2003, "Innovative UPS delivers cost savings and greater flexibility for users."

Competitors

Our competition ranges from numerous small custom manufacturers, mid-tier manufacturers and distributors of Asian manufacturers. Consolidation continues to occur in the industry as scale, time to market, shorter product life cycles and design costs make it harder for the small custom manufacturers to compete.

"Our aim is to be the leading provider of power supplies in our target market, the mid-tier of the power supply industry in North America and Europe."

Chairman's Statement and Operational Review

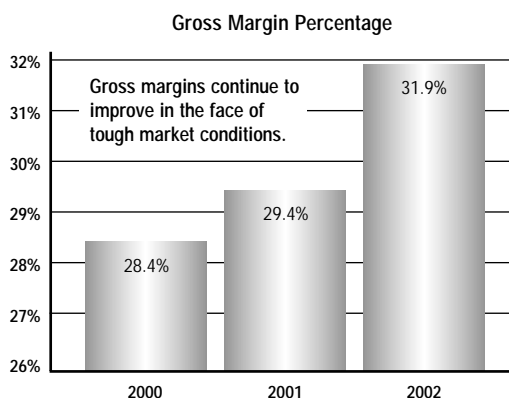
Business Performance

The economic climate in which we operate continues to be tough. Many companies in both North America and Europe lack the business confidence to invest in the capital equipment which our products power. This has resulted in a decline in our revenues since the exceptional conditions which prevailed in 2000.

Revenues decreased 26% from those achieved in the prior financial year to £64.0 million. Our revenues derived from the networking, datacom and telecom sectors have more than halved as these industries have experienced difficulties. However our revenues derived from the medical, industrial and defence sectors have increased £6 million from the levels achieved in 2001.



Gross margins have improved to 31.9% in 2002 from 29.4% in 2001. This is our third successive year of gross margin improvement in the face of difficult markets and generally declining prices. This improvement has resulted from our continued development of own branded products designed to meet the requirements of our customers in the markets we serve.



Operating expenses have been cut back to £18.0 million compared with £20.2 million in 2001. During the fourth quarter we scaled back parts of the continental European organisation. The costs of this restructuring were charged to operating expenses in the second half of 2002. I therefore expect further reductions in operating expenses in 2003. Profit before tax and goodwill amortisation £1.5 million (2001:£1.2 million) was £2.2 million compared to £4.9 million in 2001. This resulted in diluted earnings per share adjusted for goodwill of 7.3p compared with 19.3p in 2001. Basic earnings per share was nil (2001:13.6p).

Against this background we have taken action to enable us to increase earnings and free cashflow in these market conditions.

The key elements of our strategy are:

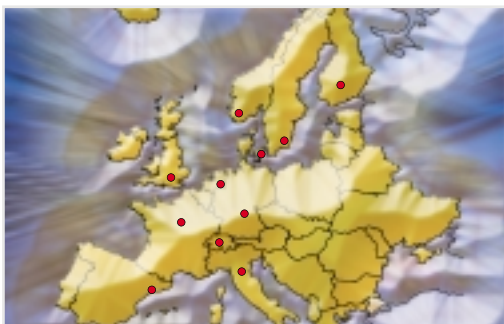
- Geographic expansion
- New product development
- Moving up the "value chain"
- Reduced operating expenses

Geographic Expansion

During 2001 we embarked on an aggressive expansion of our sales presence in both continental Europe and North America in the face of declining end markets. The high quality power supply sales engineers required to make our business model successful were more readily available in a downturn and our view was that such an expansion would not be possible under normal market conditions. In continental Europe new offices were added in Benelux, Denmark, France, Italy, Norway, Sweden and Switzerland in addition to the existing UK and German offices. Our expectations were that these offices would all be profitable in 2002. Unfortunately this was not the case.

During Q4 2002 we started to scale back these operations such that they can get close to break even in 2003. Our revenue from continental Europe was £6.1 million in 2002 (2001: £0.8 million). These incremental revenues have almost exactly compensated for the decline in the base business in the UK which was due to the slowdown in our telecom business.

SALES OFFICES : EUROPE



Revenues from continental Europe in 2002 were £6.1m: up from £0.8m in 2001.

An expansion of our geographic sales presence in North America has also taken place. Since the beginning of 2001 we have opened new offices in Colorado, Georgia, Minnesota, New Jersey, North Carolina, Ohio, Pennsylvania and Texas. These offices are now profitable. However, the incremental revenues generated from these offices have not been sufficient to offset the decline in the North American base business derived from our networking customers. The revenues generated from our networking customers are down £23 million from 2001.

SALES OFFICES : USA



Our new US offices are now fully operational and profitable.

Despite slower progress than we hoped we are pleased that we now have full coverage of our target geographic market and have incremental revenues of £10 million resulting from these new offices which we otherwise would not have. We believe that this puts us in a good position versus our competition who have generally been cutting back their sales resource since 2001.

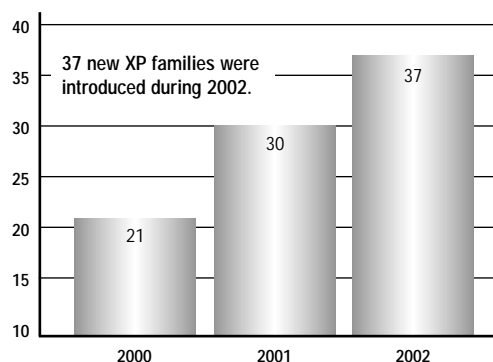
“Geographic coverage of our target market is now complete.”

New Product Development

New product development is vital to the long-term success of our business. Fragmented requirements of customers in the mid-tier and the lack of resource devoted to suitable product development for the mid-tier amongst the top-tier players has given us an advantage in this arena.

In 2001 we introduced 30 new product families. In 2002 a further 37 product families were introduced, all of which are ‘XP’ branded. New products allow us to win more of the available business in our tier of the market and allow us to make significantly higher gross margins while at the same time delivering cost savings to our customers.

Product Families



Our knowledge management systems allow us to capture the necessary information to carefully target our product development and tailor it to the key needs of the customer base in the mid-tier as well as closely manage the sales force. Our new engineering capability of over 20 engineers based in Anaheim, Southern California and in New England gives us even greater capability to expand our proprietary product range.

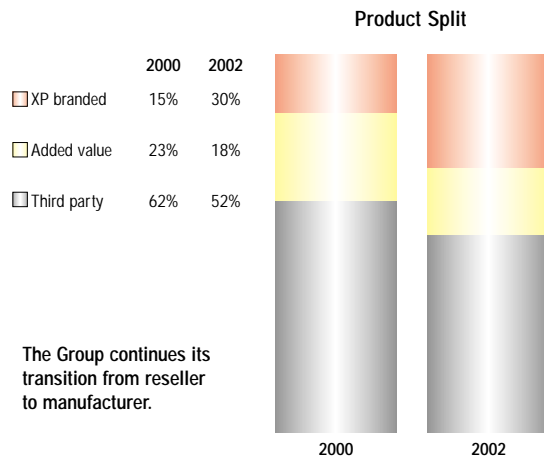


The LP Series of medically approved modular power supplies, one of the many new product families launched in 2002.

Chairman's Statement and Operational Review (Continued)

Moving up the Value Chain

On 30 April 2002, the Group acquired the business and certain assets of Switching Systems International ("SSI") for US\$8.5 million (approximately £5.9 million) plus expenses. US\$1.25 million of this consideration is deferred until July 2003.



Based in Anaheim, California, SSI operates in, and provides, power supply solutions to the mid-tier of the electronics industry. SSI has designed a range of configurable power supplies using outsourcing partners as manufacturers. It also provides value added power supply solutions using these same products. Value added power supply solutions are modified standard devices that can be more easily integrated into the customer's system. Modifications can involve providing wiring harnesses, thermal management, custom enclosures and ensuring Electro Magnetic Compatibility. These enhancements aid the design-in process saving the customer time and therefore money.



This value added solution saved the customer time and money and allowed him to focus on his core competence.

SSI's traditional route to market was via manufacturing representatives in the US. Following the acquisition, these manufacturing representatives have been replaced by IFX's direct sales force. The acquired business has now been integrated into XPiQ Inc., a wholly owned subsidiary of IFX. The acquisition of SSI is an important step for the Group in that it continues our move higher up the value chain.

With SSI we acquired a proprietary configurable product line and a highly skilled design engineering team capable of designing products which specifically meet the needs of customers in the mid-tier of the market. The gross margins we are able to earn from our own products are significantly higher than if we only specify the product for our manufacturing partners to build.



Local final assembly of our configurable power supplies enables us to meet a wide range of customer applications whilst offering rapid delivery.

Early signs from this acquisition are promising. The business is already making a positive contribution having lost money prior to its acquisition by the Group. Our existing customers are reacting very favourably to the product line and the cost reductions they can attain by designing it into their equipment.

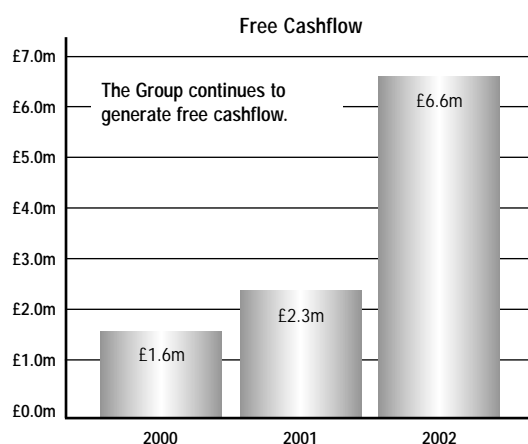
As a consequence of moving up the value chain we are no longer dealing with certain of our historic suppliers where their product line conflicts with our own XP branded offering. This has had some negative effect on our short-term revenues but the shortfall should be taken up by our own new branded products in the near future.

Reduced Operating Expenses

Our knowledge management system has allowed us to flatten the organisational structure. This has enabled us to significantly reduce the number and cost of management.

Financial Performance

Strong free cashflow has enabled us to maintain our dividend. We will be proposing a final dividend of 7p per share at our forthcoming Annual General Meeting.



People

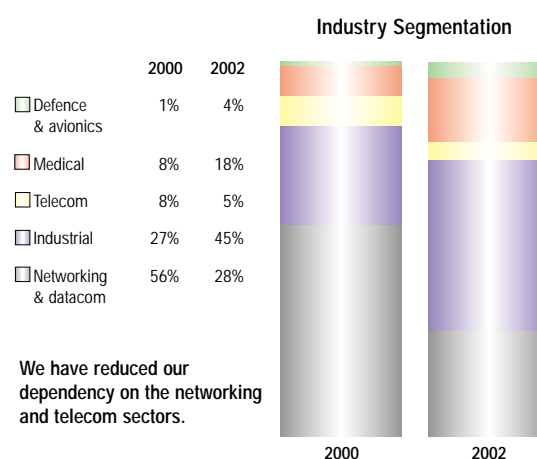
A year ago I announced that we would be splitting the roles of Chairman and Chief Executive. I am pleased to announce that Duncan Penny will be assuming the role of Chief Executive with immediate effect. Duncan joined the Group in April 2000 as Group Finance Director. James Peters will be assuming the role of Deputy Chairman.

The Group needs to attract and retain the best people in the industry. People who will continue to drive the business forward and who above all act in our customers' interests. We have a culture that rewards excellent performance with profit sharing, sales commissions and with equity participation. Over 100 of our employees have some sort of equity interest in the Group.

The Group also strives to maintain the technical standard of the sales force, which it believes to be the best in the industry, by regular product training.

Our Customers

The profile of our customers has changed dramatically since the beginning of 2001. The reduction in networking and telecom related revenues should have run its course by March 2003. The increase in industrial and medical revenues during this period should continue through 2003.



Outlook

Despite the tough market conditions, I am proud that we have remained one of the few profitable power supply companies while at the same time expanding our geographic coverage and product range. Although I see no signs of any immediate pick up in the markets we serve, I consider that our increased geographic coverage, updated product offering and engineering capabilities position us well for 2003 and beyond.

Larry Tracey
Executive Chairman



Financial Review

Cashflow

Our "Virtual Manufacturing" model has many benefits, not least of which is the generation of cash. The Group is not burdened by the high capital cost and infrastructure associated with manufacturing facilities. The benefits to the Group are increased free cashflow, which, amongst other things, can be used to fund smaller acquisitions.

The Group generated £6.6 million of free cashflow for the year ended 31 December 2002 (2001: £2.3 million). Much of this cashflow was generated as revenues slowed and working capital requirements reduced. Our inventory position is encouraging. Not only has it reduced to £7.7 million from 2001 but its make up has radically changed. In 2001 14% of our inventory related to our own branded products. At the end of 2002 the proportion of own brand inventory has increased to 46% reflecting the underlying changes in product mix which are driving our gross margin improvements.

Profit & Loss Account

Revenues decreased from £86.5 million to £64.0 million for the year ended 31 December 2002 compared to the same period a year ago, a reduction of 26%.

Gross margins increased from 29.4% to 31.9% due to a higher proportion of own brand sales. Own brand product revenues were £19 million or 30% of revenues in 2002 compared with £16 million or 15% of revenues in 2001.

Costs have been cut back in our European operation during the fourth quarter to put Europe in a position whereby it is targeted to get close to break even in 2003.

Financial Control & Reporting

One of the many challenges when combining companies is providing accurate, relevant and timely financial reporting both externally to the market and our shareholders and internally to manage the business. We are pleased with the progress we have made in this area. We consider that we have efficient processes and systems in place which allow us to monitor the business on a weekly basis and provide timely information to our shareholders.

Derivatives & Other Financial Instruments

The Group's financial instruments comprise cash, money market deposits, overdrafts and various other items such as trade debtors and trade creditors that arise directly from its operations.

The Group has not entered into any derivative transactions during the period under review except for entering into a forward exchange contract for \$7.8 million to cover foreign exchange exposure on US dollar borrowings. It is the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is foreign currency risk which is discussed on the next page.

The Group has taken advantage of low interest rates and increased borrowings to fund acquisitions.

Foreign Exchange & Hedging Policy

As approximately 65% of the Group's revenues originate in the USA, our results when reported in Pounds Sterling will fluctuate with movements in the US Dollar/Sterling exchange rate. This effect is an inherent part of operating in the USA and reporting in Sterling. Hedging such fluctuations may alleviate variances in the short term; however our judgement is that in the long term hedging our US Dollar earnings will reduce shareholder value as we pay commissions and margins on financial instruments. We have therefore decided not to hedge this underlying economic risk.

Within our European business we attempt, as far as possible, to cover foreign exchange exposures by matching the currencies in which we buy and sell product and by managing our Euro borrowings to match Euro assets.

If significant one off transactions occur, which give rise to a high element of foreign currency risk, we consider hedging such transactions as they occur. As noted above we entered one forward contract during 2002 to hedge foreign currency borrowings of \$7.8 million.

Financing Costs

In August 2001 the Group agreed a working capital facility of £10 million and a revolving credit facility for acquisitions of £20 million committed for three years with the Bank of Scotland. The facility is priced at LIBOR plus 1.5%.

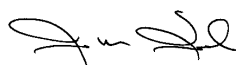
Taxation

Due to the lower level of profits in the USA, where corporate tax rates are comparatively high, and to favourable timing differences the Group's effective tax rate is lower than last year, after adding back goodwill amortisation which is generally not deductible for tax purposes.

During 2002 the Group implemented Financial Reporting Standard 19 relating to deferred taxation. This resulted in a tax credit of £0.2 million to the 2001 comparatives and a tax charge of £0.1 million in 2002.

Dividends

Our dividend policy is to pay dividends to our shareholders when commercially able to do so. This year's free cashflow has enabled us to maintain the dividend at last year's level.



Mickey Lynch
Vice President, Finance



Board of Directors

Larry Tracey, Executive Chairman



Larry (age 55) has worked in the power supply industry since 1979 when he co-founded Powerline plc ("Powerline"). He focused on the strategic direction of the business and in March 1984 was responsible for the flotation of Powerline on the Unlisted Securities Market of the London Stock Exchange, earnings grew 220 percent in its three years as a quoted company. Larry headed Powerline's expansion into Germany and the US. Powerline was acquired by Chloride in September 1987. In May 1990, Larry joined the Board of XP as an Executive Director. In April 2000 he was appointed as Chief Executive Officer of IFX, and in April 2002 he was appointed as Chairman. He is responsible for Group strategy including acquisition policy. On 3 February 2003 Larry stepped down from the role of Chief Executive Officer and continues in the role of Executive Chairman.

James Peters, Deputy Chairman



James (age 44) has over 24 years experience in the power supply industry and trained with Marconi Space and Defence Systems, prior to joining Coutant Lambda, one of the UK's major power supply companies, as an internal sales engineer. He joined Powerline shortly after its formation in 1980 and was involved in all aspects of the business. In November 1988 he founded XP. In April 2000, he was appointed as European Managing Director of IFX and was responsible for the overall management of the Group's European businesses. On 3 February 2003 James was appointed as Deputy Chairman.

Duncan Penny, Chief Executive



Between October 1998 and March 2000, Duncan (age 40) was the controller for the European, Middle Eastern and African regions for Dell Computer Corporation, prior to which Duncan spent eight years working for LSI Logic Corporation where he held senior financial positions in both Europe and Silicon Valley. From 1985 to 1990, Duncan spent five years at Coopers & Lybrand in general practice and corporate finance. He joined IFX in April 2000 as Group Finance Director. On 3 February 2003 he was appointed as Chief Executive.

Paul Christiansen, Chairman XPIQ and XP ForeSight



Paul (age 48) has 20 years experience in the power supply industry and has previously held sales positions with Powermate Corporation and Compumech Electronics prior to co-founding ForeSight Electronics in 1991 as a specialist power supply distributor based in Northern California. ForeSight Electronics was acquired by the Group in May 2000. Paul is responsible for the North American marketing organisation and is Chairman of both of the Group's US businesses. On 20 August 2002 Paul joined the Board.

Mike Laver, President XP ForeSight



Mike (age 40) has 17 years experience in the power supply industry. After completing his degree in Electrical Engineering at UC Santa Barbara, Mike held sales and technical positions with Power Systems Distributors and Compumech prior to co-founding ForeSight Electronics in 1991, he took over as President in February 2002. Mike who is responsible for the US sales and value added engineering organisations joined the Board on 20 August 2002.

Frank Rene, President XPIQ



Frank (age 39) has over 18 years experience in power supply design and has held several senior engineering positions with Raytheon Corporation, a US defence contractor, as well as Digital Equipment Corporation (now Hewlett Packard) a leading supplier of computer products and services. He joined International Power Sources in 1993 which was acquired by the Group in July 2000. On 20 August 2002 Frank joined the Board. Frank's more recent role was as Vice President of Engineering for XPIQ, the product development arm of IFX. On 3 February 2003 he was appointed President of XPIQ.

Steve Robinson, European Director



Steve (age 39) with 19 years experience in the power supply industry has held sales and sales management positions with Acal Electronics and Chloride. Since joining XP in 1996, Steve has held senior positions at XP including Divisional Director and Joint Managing Director. Steve has been involved in the development of e-business strategy within XP since May 1999 and joined the Board of IFX on 31 January 2001. Steve continues to be Joint Managing Director of XP PLC in the UK and is responsible for sales throughout Europe.

Roger Bartlett, Non-Executive Director



Roger (age 58) joined Touche Ross & Co. in 1967 and qualified in 1971 after which he specialised in corporate taxation and became a partner in 1977. He was involved in all types of UK and international corporate work, including UK flotations, global acquisitions and disposals. On retiring from Deloitte & Touche in 1997, Roger was appointed Company Secretary of XP in April 1997. In January 1998, he became a Non-Executive Director of XP. He joined the Board of IFX in June 2000. He is chairman of the Audit Committee.

John Dyson, Non-Executive Director



John (age 54) was appointed Finance Director of Pace Micro Technology plc in November 1997, prior to which he held senior positions in both Silicon Valley and Europe for LSI Logic Corporation from June 1990 to November 1997. From September 1988 to June 1990 John was co-founder and Managing Director of Modacom Limited, prior to which he was Finance Director of Norbain Electronics plc (1986 -1988) and Case Group plc from 1977 to 1986. He joined the Board of IFX in June 2000. He is the senior Non-Executive Director and chairman of the Remuneration Committee.

Rich Sakakeeny, Non-Executive Director



Rich (age 54) has over 30 years experience in the North American, European and Asian Electronics Industry. Prior to founding International Power Sources, a 'virtual manufacturer' of electronic power supplies, in 1985, he held several senior positions at Intronic Inc., including VP of International Sales and Senior VP, General Manager. Since 1985, Rich has also founded and managed several companies in North America related to power and power measurement on behalf of European companies. He joined the Board of IFX in August 2001.



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal Activities and Review of the Business

The Group provides power supply solutions to the electronics industry. A review of the financial results, business and future prospects are set out in the Chairman's Statement and Operational Review.

The Group significantly expanded the resources it deploys on research and development during 2002, developing and introducing 37 new product families and is in the process of applying for its first Patent.

Change of Name

Over the last 18 months the Group has adopted "XP" as its brand in both Europe and North America. For this reason we will be proposing a resolution at the forthcoming Annual General Meeting that the Company change its name from IFX Power plc to XP Power plc.

Directors and Their Interests

The present membership of the Board and the interests of the Directors in the shares of IFX Power plc are set out in the Directors' Remuneration Report.

In accordance with the Company's Articles of Association Larry Tracey, James Peters and Duncan Penny retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. In addition to this Paul Christiansen, Mike Laver and Frank Rene will offer themselves for election to the Board.

Dividends

An interim dividend of 5p per share was paid on 17 October 2002. A final dividend of 7p per share is being proposed, which would be payable to members on the register on 2 May 2003 and would be paid on 22 May 2003. This would make the total dividend for the year 12p.

Substantial Interests

Other than the Directors' interests (refer to Remuneration Report) at 21 March 2003 the Company was aware of the following interests in three per cent or more of the issued ordinary share capital of the Company:

	Number of shares	%
Credit Suisse Asset Management	2,578,750	12.2

Environmental Policy

While the Group does not have a formal environmental policy it endeavours to minimise harm to the environment by adopting energy efficient products and re-cycling the waste it produces where possible.

Payment Terms

It is the Group's policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers. Provided suppliers perform in accordance with agreed terms it is the Group's policy that payment should be made accordingly. IFX Power plc holds the investments in the Group companies, does not trade itself and does not have suppliers within the meaning of the Companies Act 1985.

Employment of Disabled Persons

The Group has a policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

Employee Involvement

Regular communication meetings are held with employees to discuss the performance of the individual company for which they work and Group matters where appropriate. Employees are given the opportunity to question senior executives at these meetings.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Corporate Governance

Managing Risk

The final report of the Hampel Committee began "The importance of corporate governance lies in its contribution both to business prosperity and to accountability. In the UK the latter has preoccupied much public debate over the past few years. We would wish to see the balance corrected." We agree with this position and in the management of our business are conscious of maintaining a balance between empowering our people to produce the results we demand and safeguarding the assets of the business and proactively managing the business risks.

Compliance with the Combined Code

The final report of the Hampel Committee updated the previous work of the Cadbury and Greenbury codes to produce a combined code. The Stock Exchange has attached this code to its Listing Rules and we are required to report on it. We are able to confirm that we are in compliance with the code except for the following items:

- Since the appointment of three additional Executive Directors on 20 August 2002 the proportion of Non-Executive Directors falls short of the one third required by the code (A3.1), and
- Since the retirement of Ed Kramar on 17 April 2002 Larry Tracey has fulfilled the roles of Chairman and Chief Executive. On 3 February 2003 Duncan Penny was appointed to the role of Chief Executive (A2.1).
- Rich Sakakeeny was an Executive and part owner of XPiQ Inc. and is not considered independent by the combined code (B2.2).

Notwithstanding the above departures from the combined code, the Directors consider that the current structure and function of the board is appropriate for the present size and composition of the Group.



Directors' Report (Continued)

The Board acknowledges that it is responsible for the Group's internal control and for reviewing its effectiveness.

Internal Control

The Group's internal controls are designed to manage rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable not absolute assurance against material misstatement or loss.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place during the entire financial year and has remained in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the board and Audit Committee and accords with the Internal Control guidance for Directors on the Combined Code produced by the Turnbull working party.

The Board keeps its risk control procedures under constant review and deals with areas for improvement which come to its attention.

As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors supported by managers within the Group companies. The Executive Directors are involved in the budget setting process, monitor key statistics on a weekly basis and review management accounts on a monthly basis, noting and investigating major variances. The Board has considered the need for an internal audit function, but has decided that, because of the size of the Group and the systems and controls in place, it is not appropriate at present. The Board will review this on a regular basis.

Audit Committee

The Audit Committee consists of all three Non-Executive Directors and is chaired by Roger Bartlett. All Non-Executive Directors are considered independent except for Richard Sakakeeny who was an Executive and part-owner of International Power Sources Inc., which was acquired by the Group in July 2000. The Audit Committee met three times in 2002.

The Committee is responsible for, amongst other things, ensuring that the financial performance of the Group is properly reported and monitored focusing particularly on compliance with legal requirements, accounting standards, and the requirements of the UK Listing Authority. The Committee also meets with the auditors and reviews the reports from the auditors without Executive board members present.

Nominations Committee

The Nominations Committee consists of Larry Tracey and the Non-Executive Directors. It is chaired by Larry Tracey.

Relations with Shareholders

The Group engages in two-way communication with both its institutional and private investors and responds quickly to all queries received. The Group uses its website www.ifxpower.com to give private investors access to the same information that institutional investors receive. Interested parties are able to register for the Group's email alert service on this website to receive timely announcements and other information published from time to time. The Annual General Meeting is also an opportunity to communicate with shareholders where Directors and Committee chairs are available for questions.

Going Concern

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

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company. The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information

Remuneration Committee

The Remuneration Committee consists of Roger Bartlett, John Dyson and Rich Sakakeeny, who are independent, except for Richard Sakakeeny, who was an Executive and part-owner of International Power Sources Inc., which was acquired by the Group in July 2000. The Committee is chaired by John Dyson. The Committee met four times during 2002 to review the performance of the Executive Directors and within agreed terms of reference sets the scale and structure of their remuneration. The Committee sets the Group's policy on compensation of Executive Directors and the basis of their service agreements with due regard to the interests of shareholders. It also approves the allocation of share options to employees.

The remuneration of the Executive Directors consists of annual salary, taxable benefits in kind and profit related bonus.

Remuneration Policy

The objective of the Group's remuneration policy is that Executive Directors should receive remuneration which is appropriate to their position of responsibility, and which will attract, motivate and retain Executives of the necessary calibre.

There is an annual review at which the Committee approves the basic salary and profit sharing bonus scheme for each Director. The Committee receives input from the Chairman regarding recommended packages for the Executive Directors. No changes were made in 2002 to the packages recommended to the Committee by the Chairman.

Basic Salary

No changes to basic salaries were made in 2002. The basic salaries of Paul Christiansen, Mike Laver and Frank Rene remained unchanged on promotion to the Board.

Bonus Payments

Bonus payments are linked to achieving internal annual plan targets for profit before tax and amortisation. No bonuses were paid in respect of 2002 as plan targets were not achieved due to market conditions.

Directors' Report (Continued)

Share Incentive Schemes

The Group operates a number of share incentive schemes. The IFX Power plc Share Option Plan as approved by the shareholders in April 2001 allows the Company to grant options over up to 2,113,711 shares representing 10% of the issued share capital with or without performance conditions. To date 892,500 options have been granted under this scheme with exercise prices ranging from £1.75 to £3.425.

The Group also operates an Employee Benefit Trust, which currently contains 354,351 unencumbered shares. The Group has the ability to make option and share awards from this Trust.

As the majority of the Group's business takes place in the US the various share incentive schemes have been constructed with general practice in the US in mind.

Options held by Duncan Penny and Steve Robinson are subject to performance conditions relating to the timeliness of reporting financial results to the market and deliverables associated with the Group's knowledge management system respectively. These performance criteria have been met. Regulations in the main US states in which we operate prevent the attachment of performance criteria to share options.

Pension Arrangements

The Group operates a defined contribution "Stakeholder" pension scheme in the UK. In 2002 the Group contributed 3% of base salary to this scheme on behalf of Duncan Penny, James Peters and Steve Robinson. Contributions to this scheme have been suspended for 2003 until earnings track above the Group's internal budget targets.

In the US the Group operates a defined contribution "401K Plan". The Group does not contribute to this plan.

Directors' Contracts

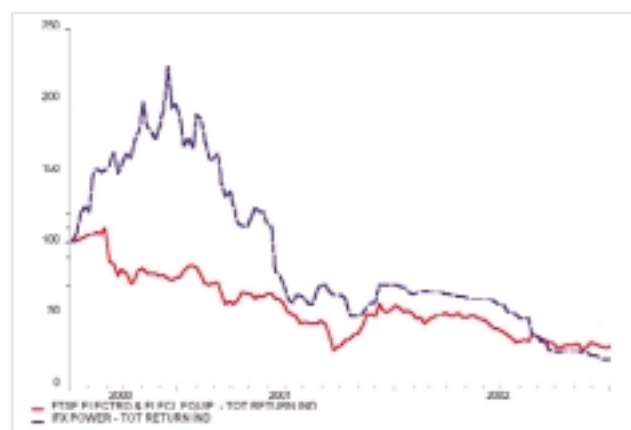
UK Directors are entitled to one years notice under their service agreements. US Directors are entitled to the following notice periods as set out in their service agreements Paul Christiansen - two years, Mike Laver and Frank Rene one year.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. The basic fee paid to each Non-Executive Director was £10,000. The senior Non-Executive Director is John Dyson.

Performance Graph

The following graph shows the Company's performance measured by its total shareholder return compared with the FTSE Electronic and Electrical Equipment Price Index, of which IFX Power is a constituent, since its flotation in July 2000.



Audited Information

Aggregate Directors' Remuneration

The total amounts for Directors' remuneration were as follows:

£	2002	2001
Basic salaries	582,500	880,958
Commissions	106,237	387,000
Benefits in kind	75,826	86,672
Compensation for loss of office	-	329,806
Money purchase pension contributions	9,000	-
Non-Executives fees	30,000	24,167
Total remuneration	803,563	1,708,603

The commissions paid of £106,237 in 2002 (2001: £387,000) relate to Ed Kramar.

Directors' Emoluments

Name of Director	Salary and fees	Pension	Benefits	Bonus	2002 Total	2001 Total
Executive						
Larry Tracey	87,996	-	15,754	-	103,750	106,332
Paul Christiansen (a)	35,625	-	2,544	-	38,169	-
Ed Kramar (b)	195,298	-	5,726	-	201,024	765,900
Mike Laver (a)	35,625	-	3,138	-	38,763	-
Duncan Penny	100,000	3,000	10,515	-	113,515	111,058
James Peters	100,000	3,000	18,146	-	121,146	118,193
Frank Rene (a)	34,193	-	5,633	-	39,826	-
Steve Robinson	100,000	3,000	14,370	-	117,370	102,431
Non-Executive						
Roger Bartlett	10,000	-	-	-	10,000	10,000
John Dyson	10,000	-	-	-	10,000	10,000
Richard Sakakeeny	10,000	-	-	-	10,000	4,167

(a) Appointed on 20 August 2002. Emoluments are from the date of appointment to 31 December 2002.

(b) Ed Kramar retired from the Board on 17 April 2002.



Directors' Report (Continued)

Directors' interests in ordinary shares of IFX Power plc

	As at 1 January 2002 (or date of appointment)	As at 31 December 2002
Executive		
Larry Tracey	4,409,779	4,284,779
Paul Christiansen	100,000	100,000
Ed Kramar	1,103,000	-
Mike Laver	76,000	76,000
Duncan Penny	100,000	110,000
James Peters	3,839,779	3,789,779
Frank Rene	95,000	95,000
Steve Robinson	91,000	91,000
Non-Executive		
Roger Bartlett	34,000	34,000
John Dyson	25,000	25,000
Richard Sakakeeny	25,000	25,000

In addition to the Directors' interests in ordinary shares of the Company the following Directors have interests in share options:

	Date of grant	Exercise price	Term of option	Number of shares
Executive				
Mike Laver	24 August 2001	£3.425	(a)	24,000
	21 August 2002	£1.75	(c)	50,000
Duncan Penny	24 August 2001	£1.15	(b)	25,000
	24 August 2001	£3.425	(a)	25,000
Frank Rene	24 August 2001	£3.425	(a)	5,000
	21 August 2002	£1.75	(c)	50,000
Steve Robinson	22 December 2000	£1.15	(b)	25,000
	24 August 2001	£3.425	(a)	25,000

(a) Option exercisable over 4 years in equal annual instalments from the date of grant.

(b) Option exercisable after 2 years from the date of grant. Options subject to performance criteria which have been met (refer to page 16).

(c) Option exercisable 50% after 3 years and 50% after 4 years.

The highest and lowest mid market prices of the shares of IFX Power plc during 2002 were 352.5 and 82.5 pence per share respectively. The mid-market price on 31 December 2002 closed at 82.5 pence per share.

Approval

This report was approved by the by the Board of Directors on 21 March 2003 and signed on its behalf by:



John Dyson

Remuneration Committee Chairman

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors

And signed on behalf of the Board



Duncan Penny

Company Secretary



Independent auditors' report to the members of IFX Power plc

We have audited the financial statements of IFX Power plc for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of movement on reserves and the statement of accounting policies and the related notes 1 to 27 together with the combined reconciliation of movements in shareholders' funds. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report described as having been audited.

Opinion

In our opinion:

the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended; and the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Cardiff

21 March 2003

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.