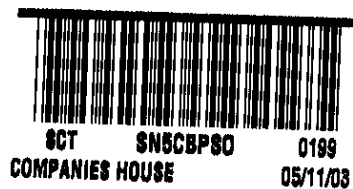


EMTELLE UK LIMITED
For the year ended 31 December 2002
Directors' Report and Financial Statements
Registration Number SCO79486



EMTELLE UK LIMITED
For the year ended 31 December 2002
Directors' Report and Financial Statements

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Directors

N Melville
G Brown
S King
B Gajos
R Langdon

Secretaries

Wm. Brown (Registrars) Limited

Auditors

Scott-Moncrieff

Bankers

HSBC Bank plc

Solicitors

Eversheds

Registered offices

Haughhead
Hawick
TD9 8LF

EMTELLE UK LIMITED
For the year ended 31 December 2002
Directors' Report

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

Results and dividends

The results for the year are set out on page 6. No dividend was paid during the year (2001 - £515,519).

The directors recommend that no final dividend be paid and the profit for the year be taken to reserves.

Principal activities

Emtelle UK Limited's principal activity is to manufacture and sell PVC and polyethylene ducting products and the blown fibre telecommunications system marketed under the brand name FibreFlow.

Review of the business

The difficult trading conditions that started during the 2nd quarter 2001 continued throughout 2002. Further cost cuts were made in response to the conditions. Actions were also taken to reduce working capital to generate cash. With the efforts taken to restructure the group and strengthen the management team the directors feel the Emtelle Group is in a strong position to take advantage of any upturn in the telecommunications market.

The directors acknowledge the contribution of the company's employees during a difficult year.

Fixed assets

Changes in fixed assets are detailed in note 10.

Directors and their interests

The directors during the year were:

N Melville
G Brown
S King
B Gajos
R Langdon

No director had an interest in the company's share capital at the year end (2001 - nil).

No director had a material interest in any contract of significance in relation to the company's business during or at the end of the year (2001 - nil).

Employees

A system of regular consultative meetings exists to ensure that the company's employees are kept adequately informed on all matters regarding the current and future prospects of the company business. It is company policy to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided that they have the ability to perform the tasks required with or without training, and to institute re-training where practicable in cases where the disability was incurred during their employment with the company.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Directors' Report - continued

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 and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

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 1985. 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.

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditors will be put to the members at the annual general meeting.

By order of the board

27th FEB 2003


Wm Brown (Registrars) Limited
Secretaries

EMTELLE UK LIMITED

For the year ended 31 December 2002

Independent Auditors' Report to the Shareholders of Emtelle UK Limited

We have audited the financial statements of Emtelle UK Limited for the year ended 31 December 2002 set out on pages 6 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

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 auditor's 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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff
SCOTT-MONCRIEFF
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

The Auditor 2003

EMTELLE UK LIMITED
For the year ended 31 December 2002
Profit and Loss Account

	Notes	2002		2001	
		£	£	£	£
Turnover	2		20,110,145		32,888,973
Cost of sales			(15,298,747)		(26,425,849)
Gross profit			4,811,398		6,463,124
Distribution costs		(1,852,616)		(2,649,161)	
Administration expenses		(5,033,782)		(4,851,860)	
Exceptional items	3	2,237,974		-	
			(4,648,424)		(7,501,021)
Operating profit /(loss)	6		162,974		(1,037,897)
Interest received		22,297		37,470	
Interest payable	7	(223,706)		(365,491)	
			(201,409)		(328,021)
(Loss) on ordinary activities before tax			(38,435)		(1,365,918)
Taxation	8		38,624		410,052
Profit /(loss) for the financial year			189		(955,866)
Dividend paid	9		-		(515,519)
Retained profit /(loss) for the financial year			189		(1,471,385)

There are no recognised gains or losses other than those included in the profit and loss statement above and therefore no separate statement of total recognised gains or losses has been presented.

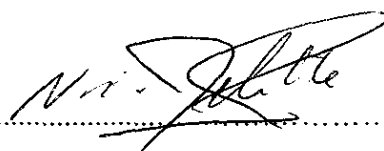
There is no difference in the loss on ordinary activities for the year stated above and its historical cost equivalent.

The notes on pages 9 to 19 form part of these financial statements.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Balance Sheet

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	10		9,026,351		10,832,316
Investments	11		2,100		10,000
Current assets					
Stocks	12	1,737,067		2,735,553	
Debtors	13	3,276,430		4,480,326	
Cash at bank and in hand		432		257	
		<u>5,013,929</u>		<u>7,216,136</u>	
Creditors: Amount due within 1 year	14	(4,359,906)		(5,448,093)	
Deferred income	15	-		(3,409,849)	
		<u>(4,359,906)</u>		<u>(8,857,942)</u>	
Net current assets/liabilities			654,023		(1,641,806)
Total assets less current liabilities			<u>9,682,474</u>		<u>9,200,510</u>
Creditors: Due in more than 1 year	16	(3,169,669)		(2,909,666)	
Provision for liabilities and charges	17	(2,724,073)		(2,502,301)	
		<u>3,788,732</u>		<u>3,788,543</u>	
Capital and reserves					
Called up equity share capital			1,254,489		1,254,489
Profit and loss account			<u>2,534,243</u>		<u>2,534,054</u>
Equity Shareholders' Funds	18		<u>3,788,732</u>		<u>3,788,543</u>

The financial statements were approved:
by the directors on 27/02/03.....



Director (N Melville)

The notes on pages 9 to 19 form part of these financial statements.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Cash Flow Statement

	Notes	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	21		1,373,270		3,519,305
Returns on investments and servicing of finance					
Interest received		22,297		37,470	
Interest paid		(229,981)		(415,706)	
			(207,684)		(378,236)
Taxation					
Corporation tax refunded /(paid)		359,904		(322,283)	
			359,904		(322,283)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(201,596)		(2,937,436)	
Sale of tangible fixed assets		230,882		382,884	
Investments		-		-	
Disposal of investments		2,900		-	
			32,186		(2,554,552)
Equity dividend paid			-		(515,519)
Net cash (outflow)/inflow before financing			1,557,676		(251,285)
Financing					
Capital elements of finance lease payments			(129,713)		(218,290)
New term loans			-		1,396,919
Repayment of term loan			(598,005)		(1,186,770)
SEB grant receipt			47,890		685,140
Share capital			-		-
Increase in cash in the year			877,848		425,714
Reconciliation of net cash-flow to movement in net debt					
Increase in cash in the year			877,848		425,714
Net repayment of loans			727,718		8,141
Changes in net debt from cashflow			1,605,566		433,855
Net debt at 1 January			(6,183,989)		(6,617,844)
Net debt at 31 December	22		(4,578,423)		(6,183,989)

The notes on pages 9 to 19 form part of these financial statements.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared on the historic cost basis of accounting.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:-

Buildings	25 years
Plant and machinery	3 - 10 years
Motor vehicles	4 and 5 years
Furniture and fittings	3 - 10 years

No depreciation is provided on freehold land.

Stocks

Stocks are valued at the lower of cost and net realisable value in the ordinary course of business, as follows:

Raw materials and consumables	- purchase cost
Work in progress, finished goods	- cost of direct materials and labour plus all production overheads and the appropriate proportion of indirect overhead expenses

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Foreign currency translation

Assets and liabilities denominated in foreign currencies, including those of overseas subsidiary undertakings, are translated at the rate of exchange ruling at the balance sheet date. The results and cashflows of overseas subsidiary undertakings are translated at the average exchange rate ruling during the financial year.

Exchange differences which arise when the net assets of overseas subsidiary undertakings are translated into sterling are passed directly to reserves. All other differences are included in the profit and loss account.

Research and development

Research and development expenditure is written off as incurred.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

Government grants

Grants of a revenue nature are credited to the profit and loss account in the year in which they accrue. Capital grants are released to the profit and loss account over the expected useful life of the assets to which they relate.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the leases in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to the profit and loss account as they are incurred.

Deferred taxation

Deferred taxation is provided on the liability method.

2. Turnover

The analysis of turnover by geographical area is as follows:

	2002	2001
	£	£
United Kingdom	16,303,413	25,555,609
Rest of Europe	2,929,630	4,860,970
Rest of World	877,102	2,472,394
	<u>20,110,145</u>	<u>32,888,973</u>

No analysis is available of the profit/loss attributable to each geographic area.

Turnover represents the amounts derived from the provisions of goods and services which fall within the company's ordinary activities, stated net of value added tax.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

3. Exceptional Items	2002	2001
	£	£
Exceptional income	3,409,849	-
Exceptional charges	(1,171,875)	-
	<u>2,237,974</u>	<u>-</u>

Exceptional items arose through the release of deferred income and payment of compensation on the termination of long term supply agreements on 31 December 2002 (see note 15.).

4. Staff numbers and costs	2002	2001
	Number	Number
The average number of employees during the year including directors		
Office and management	22	26
Manufacturing	83	112
Sales and distribution	16	20
	<u>121</u>	<u>158</u>

The aggregate remuneration and associated costs of the company's employees were:	2002	2001
	£	£
Wages and salaries	2,267,286	3,051,338
Social security costs	151,370	207,058
Pension costs	232,480	285,216
	<u>2,651,136</u>	<u>3,543,612</u>

5. Directors' remuneration	2002	2001
	£	£
Emoluments	128,796	128,900
Pension scheme contributions	13,110	11,040
	<u>141,906</u>	<u>139,940</u>

Retirement benefits

Retirement benefits are accruing to 2 directors under defined benefit schemes at 31 December 2002.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

6. Operating profit /(loss)	2002 £	2001 £
The Operating profit /(loss) is stated after (crediting)/charging:		
Depreciation of owned assets	1,617,953	1,753,957
Depreciation of assets held under finance leases and hire purchase	118,396	129,987
Exchange (gain)/loss on foreign currency	(7,481)	4,939
Auditors' remuneration (including expenses)	19,262	19,300
Fees paid to auditors for other services	23,600	9,700
Rental of buildings	99,652	106,998
Hire of plant and machinery - rentals payable under operating leases	138,367	120,079

7. Interest payable and similar charges	2002 £	2001 £
Interest on bank overdraft	14,955	93,488
Interest on bank loans	176,019	227,507
Interest on finance leases and hire purchase contracts	32,732	44,496
	<u>223,706</u>	<u>365,491</u>

8. Taxation on (loss)/profit on ordinary activities	2002 £	2001 £
UK corporation tax @ 30% (2001 - 30%)		
on profit for the year	73,428	(393,970)
Adjustment in respect of previous years	34,066	(1,216)
Transfer (from) deferred tax	(146,118)	(14,866)
	<u>(38,624)</u>	<u>(410,052)</u>

The difference between the tax assessed for the period and the standard rate of corporation tax is detailed below:

	2002 £	2001 £
(Loss) on ordinary activities before tax	(38,435)	(1,365,918)
Loss on ordinary activities at the standard rate of tax	(11,531)	(409,775)
Excess of depreciation over capital allowances	111,059	(7,763)
Non allowable expenses for tax	(27,600)	23,568
Capital losses	1,500	-
Adjustment to tax charge in respect of previous periods	34,066	(1,216)
Current tax charge for the period	<u>107,494</u>	<u>(395,186)</u>

Based on the current capital investment plans, the group expects that depreciation will continue to be in excess of capital allowances that are able to be claimed.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

9. Dividends	2002 £	2001 £
Dividends paid of	-	515,519
Dividends proposed of	-	-
Dividend paid and proposed of £0 (2001 - £0.41) per ordinary share	-	515,519

10. Tangible assets	Land & Buildings £	Plant & Machinery £	Furniture & Fittings £	Total £
<i>Cost</i>				
At 1 January 2002	5,763,785	12,944,934	726,710	19,435,429
Additions	27,814	88,474	25,213	141,501
Disposals	(1,686)	(1,084,392)	(58,366)	(1,144,444)
Reclassification	-	-	-	-
At 31 December 2002	5,789,913	11,949,016	693,557	18,432,486
<i>Depreciation</i>				
1 January 2002	451,262	7,834,110	317,741	8,603,113
Provided in year	244,702	1,364,652	126,995	1,736,349
Disposals	(180)	(875,682)	(57,465)	(933,327)
Reclassification	-	-	-	-
At 31 December 2002	695,784	8,323,080	387,271	9,406,135
<i>Net book value</i>				
At 31 December 2002	5,094,129	3,625,936	306,286	9,026,351
At 31 December 2001	5,312,523	5,110,824	408,969	10,832,316

Included within fixed assets are assets held under finance leases and hire purchase contracts with a net book value of £268,163 (2001: £386,560). Depreciation charged on these assets during the year was £118,396 (2001: £129,987).

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

11. Investments	2002	2001
	£	£
At 1 January	10,000	10,000
Additions in the year at cost	-	-
Disposals during the year	(2,900)	-
Write down in value	(5,000)	-
At 31 December	<u>2,100</u>	<u>10,000</u>

The company holds 33% of the ordinary share capital of Advanced Ducting Systems Limited a company registered in Scotland. The principal activity of Advanced Ducting Systems Limited is that of selling and distribution of plastic extruded products.

During the year the company sold £9,417 of goods to Advanced Ducting System Limited and there was a balance due from this company of £4,485 at the year end (which was fully provided for in the accounts). The director, Mr King, was also a director in Advanced Ducting Systems Limited

12. Stocks	2002	2001
	£	£
Raw materials and consumable stores	840,903	1,397,282
Work-in-progress	97,438	131,201
Finished goods and goods for resale	798,726	1,207,070
	<u>1,737,067</u>	<u>2,735,553</u>

13. Debtors	2002	2001
	£	£
Trade debtors	2,951,825	4,054,674
Group companies	308,707	-
Others debtors	-	393,970
Prepayments and accrued income	15,898	31,682
	<u>3,276,430</u>	<u>4,480,326</u>

14. Creditors: Amounts falling due within one year	2002	2001
	£	£
Bank overdraft	1,044,511	1,922,184
Current instalments due on loan	618,074	1,222,682
Trade creditors	786,317	1,446,223
Group companies	365,384	27,500
Current corporation tax	73,428	-
Other taxes and social security costs	80,616	79,166
Other creditors	845,871	203,245
Accruals	408,479	417,379
Finance leases and hire purchase contracts	137,226	129,714
	<u>4,359,906</u>	<u>5,448,093</u>

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

15. Deferred Income

Amounts relating to deferred income arose when Emtelle UK Limited entered into a long term supply agreement and received an advanced payment on this contract of €5.6 million.

To service this agreement Emtelle UK Limited entered into an outsourcing supply agreement which terminated on 31 December 2002. Since the volumes ordered and supplied did not reach pre-determined levels, the deferred income was released into the profit and loss account in 2002 and Emtelle UK Limited will pay compensation under the outsourcing supply agreement for loss of anticipated profit. Compensation of €1.8 million has been accrued to meet this liability.

16. Creditors: Amounts falling due after more than one year

	2002	2001
	£	£
Bank loans	2,660,848	2,654,245
Finance leases and hire purchase contracts	118,196	255,421
Other creditors	390,625	-
	<u>3,169,669</u>	<u>2,909,666</u>

<i>Bank Loans</i>	2002	2001
	£	£
Due within 1-2 years	650,807	990,759
Due within 2-5 years	2,010,041	938,439
Due after 5 years	-	725,047
	<u>2,660,848</u>	<u>2,654,245</u>
Due within 1 year	618,074	1,222,682
	<u>3,278,922</u>	<u>3,876,927</u>

The bank loan bears interest at 1.25% above base rate. The loan is repayable in equal instalments including interest over 5 years starting in January 2003.

Finance leases and hire purchase instalments are repayable as follows:

	2002	2001
	£	£
Payable within 1 year	137,226	129,714
Payable within 2-5 years	118,196	255,421
	<u>255,422</u>	<u>385,135</u>

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

17. Provisions for liabilities and charges

	2002	2001
	£	£
Capital grants	1,911,700	1,947,810
Deferred taxation	297,373	443,491
Other liabilities	515,000	111,000
	<u>2,724,073</u>	<u>2,502,301</u>

Capital Grant:

	2002	2001
	£	£
Scottish Enterprise Borders grant		
Balance at 1 January	1,947,810	1,318,662
Received in year	47,890	685,140
Released in year	(84,000)	(55,992)
Balance at 31 December	<u>1,911,700</u>	<u>1,947,810</u>

Deferred taxation:

There is a potential liability for deferred taxation based on corporation tax rate of 30% which had arisen as follows:

	2002	2001
	£	£
<i>Deferred taxation movement:</i>		
Provision at 1 January	443,491	458,357
Increase/(Decrease) in provision	(146,118)	(14,866)
Provision at 31 December	<u>297,373</u>	<u>443,491</u>

Other Liabilities:

	2002	2001
	£	£
Opening provisions	111,000	-
Amount used	(47,598)	-
Increase for the year	515,000	111,000
Amounts reversed unused	(63,402)	-
Closing balance	<u>515,000</u>	<u>111,000</u>

The addition to provisions represents the estimated liability for product warranty claims.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

18. Equity share capital and reserves	2002	2001
	£	£
Authorised equity share capital - Ordinary £1 shares	5,000,000	5,000,000
Issued equity share capital - Ordinary £1 shares fully paid	1,254,489	1,254,489

Reconciliation of movements in equity shareholders' funds

	Called-up Equity share capital £	Profit and loss account £	2002 Total £	2001 Total £
At 1 January	1,254,489	2,534,054	3,788,543	5,259,928
Transfer from profit and loss for the year	-	189	189	(955,866)
Additions to share capital	-	-	-	-
Dividends	-	-	-	(515,519)
At 31 December	1,254,489	2,534,243	3,788,732	3,788,543

19. Commitments and contingent liabilities

Security granted

There are standard securities in respect of the bank overdraft over the company's land and buildings. A bond and floating charge covers all the heritable and moveable assets of the company. There is a fixed charge over the book debts. Scottish Enterprise Borders have a fixed charge over the factory at Haughhead, Hawick in respect of the grant contribution to this site.

Pension costs and commitments

In the UK the company participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested in unit trusts. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 March 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment yield would be 6% per annum, that salary and pension increases would average 4.75% and 5% respectively per annum.

The pension charges for the year are shown in note 4.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

Pension costs and commitments - continued

The most recent actuarial valuation showed that the market value of the schemes assets was £18.4 million and that the actuarial value of those assets represented 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The current contributions of the company and employees are 12% and 5% of earnings respectively.

Contributions accrued at the year end totalled £29,865 (2001 - contributions accrued £34,617).

The scheme is a multi employer defined benefit scheme. The company is unable to identify its share of the scheme's assets and liabilities and thus under FRS-17, has accounted for the scheme as a defined contribution scheme. All employers in the scheme are jointly and severally liable for any surplus or deficit in the scheme

Capital commitments

Capital expenditure contracted for, but not provided in the financial statements, amounted to £49,179 (2001 - £283,270).

Operating lease commitments

At the balance sheet date the company had an annual commitment under operating leases for office equipment and motor vehicles as follows:

	2002	2001
	£	£
Operating leases which expire - within one year	134,698	21,653
- within two to five years	78,884	105,261
	<u>213,582</u>	<u>126,914</u>

Guarantees

At the balance sheet date the company had issued a guarantee to HM Customs & Excise for the deferred payment of VAT for £50,000 (2001 - £50,000).

Emtelle Holdings Limited, Emtelle UK Limited and Emtelle International Limited have cross guarantees for the bank facility.

20. Holding company

The company is part of a larger group structure, of which Emtelle Holdings Limited incorporated in Scotland is the immediate holding company.

The directors recognise Mauna Holding BV, incorporated in the Netherlands Antilles, as the ultimate holding company.

EMTELLE UK LIMITED
For the year ended 31 December 2002
Notes to the Financial Statements

21. Reconciliation of Operating profit /(loss) to operating cashflow

	2002	2001
	£	£
Operating profit /(loss)	162,974	(1,037,897)
Depreciation	1,736,349	1,883,944
Release of capital grant	(84,000)	(55,992)
(Loss) on sale of tangible assets	(19,765)	(162,267)
Decrease in stocks	998,486	2,370,376
Decrease in debtors	809,926	7,051,315
Increase /(decrease) in creditors	1,174,149	(6,530,174)
Investment impairment	5,000	-
Decrease in deferred income	(3,409,849)	-
	<u>1,373,270</u>	<u>3,519,305</u>

22. Analysis of changes in net debt

	At 1st January £	Cash-flow £	Other changes £	At 31st December £
Cash at bank and in hand	257	175	-	432
Bank overdraft	(1,922,184)	877,673	-	(1,044,511)
	<u>(1,921,927)</u>	<u>877,848</u>	<u>-</u>	<u>(1,044,079)</u>
Debt due after one year	(2,654,245)	-	(6,603)	(2,660,848)
Debt due within one year	(1,222,682)	598,005	6,603	(618,074)
Finance leases	(385,135)	129,713	-	(255,422)
	<u>(6,183,989)</u>	<u>1,605,566</u>	<u>-</u>	<u>(4,578,423)</u>