

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2007



Company Registration Number SC5854

Tenon Limited
Accountants & Business Advisers
Unit 3 Gateway Business Park
Beancross Road
Grangemouth
FK3 8WX

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED
ABBREVIATED ACCOUNTS
YEAR ENDED 31 MAY 2007

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FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MAY 2007

I am pleased to present to you the Falkirk Football and Athletic Club Limited Directors' Report and Financial Statements for the year ended 31 May 2007

Our successful season has brought an increase in revenue of 21%. About half of this came from the increase in income from the SPL and the rest from gate receipts and other commercial activities. With this came a sharp increase in our costs with playing staff costs (including league position bonuses) rising by 42% as well as increased expenditure in match day costs, medical costs and training facility costs. I am pleased to report that for the second year running we made a healthy profit, this year of £138,994. Our Balance Sheet remains strong with no bank debt. As a result of our profits over the last two years we have generated cash reserves – a position your Board believes to be essential given the uncertainties in football.

During the past year the Club has continued the success which we reported for the year ending 31 May 2006. In our second year as members of the Scottish Premier League (SPL) we improved our league position, finishing seventh, thus ensuring, for the first time, that we would play in Scotland's top league for three successive seasons. As I prepare this report we are confident, from the success we have had so far in the current Season, that we can retain our position in the SPL for a fourth Season in 2008/2009. This is a huge achievement for our Club and I would like to thank all of our staff for the way they have worked together at all levels to ensure that the results on the pitch can be achieved.

Not only have we been successful on the pitch, we have been successful in our efforts to engage with our Falkirk Community, particularly our local young people. We have one of the best Community Programmes in Scotland, and this was acknowledged by the Scottish Professional Footballers Association (SPFA) when they awarded us the trophy as the "SPFA Community Club of the Year". Additionally, the Club received an award, at the Annual Forth Valley Awards ceremony as the best small business in the Forth Valley area. Changed days indeed for a Football Club to achieve such an award and we should be proud of what has been achieved in these areas taken alongside the achievements of the First Team and our Academy Structure.

Progress at our subsidiary, Falkirk Community Stadium Limited (joint venture with Falkirk Council) has been slower than anticipated. However, talks with a property developer are at an advanced stage and it is hoped that these will be concluded in the next few months. This will allow office and hotel developments on the site and generate essential funds for Falkirk Community Stadium Limited. Discussions are also well advanced for the development of the South Stand and it is hoped that this can be concluded in the very near future.

In last year's report I commented on our proposals to improve our governance structures and you will see from the papers being circulated for the AGM that we have proposed amendments to our Articles of Association to codify these improvements, including writing into the Articles the right of our Supporters Association to have representation on our Board. In addition last year, I commented on the decision of the Board to adopt a Long Term Strategic Plan, against which we would measure the success of our Annual Business Plan. I am pleased to say that we have included in the papers for this AGM the first report from our Managing Director on our achievements against that plan and this report will be presented at the AGM.

In conclusion, I would like to thank everyone associated with the Club for the huge amount of effort which goes into keeping the Club functioning successfully. All of our Staff go beyond the normal call of duty to ensure we continue to operate successfully. Also, we are fortunate that we have a very active team of volunteers who work with us week in and week out. Without them we would not be able to function as we do and I would like to thank them for all that they do for the Club and I look forward to their continuing support in the year ahead. Lastly I would like to thank my colleagues on the Board for the way they contribute to the success of our Club. They bring their own particular skills to the benefit of the Club and they are to be congratulated for the Stewardship they have provided over the past several years.

Campbell Christie
Board Chairman (on behalf of the Board of Falkirk Football & Athletic Club Limited)

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2007

The directors present their report and the financial statements of the company for the year ended 31 May 2007

Principal activities and business review

The principal activity of the company during the year was participating in football as a member of the Scottish Premier League Limited

During the course of the year, the company continued to operate as a professional football club in the Scottish Premier League. Turnover grew by 21% although profits decreased by 71%. At the year end, the company had shareholders funds of £3,480,138 including distributable profits of £2,192,947

The directors therefore believe the company's position to be satisfactory especially as the company's net current assets exceed its liabilities by £468,481

The directors have assessed the main risk facing the company as relegation from the Scottish Premier League to the Scottish Football League. This would result in vastly decreased available revenues and profits due to the football team playing in a less prestigious league

The directors believe that the quality of the clubs employees and the internal infrastructure in place will help to mitigate these risks, and they hope to see continued growth and satisfactory trading results in the following year

Results and dividends

The profit for the year, after taxation, amounted to £138,994. The directors have not recommended a dividend

Financial instruments

The company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company

Directors

The directors who served the company during the year were as follows

Campbell Christie
Ann Joyce
Martin Ritchie
Douglas Paterson
George Craig
Graham Crawford
Steven Jackson
Fergus Caldwell
Alexander Miller
Roger Crosthwaite

Fergus Caldwell resigned as a director on 28 June 2007

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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

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 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.

In so far as the directors are, individually, aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution to re appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



Martin Ritchie
Director

Approved by the directors on 20 December 2007

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED
INDEPENDENT AUDITOR'S REPORT TO FALKIRK FOOTBALL &
ATHLETIC CLUB LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 5 to 15, together with the financial statements of Falkirk Football & Athletic Club Limited for the year ended 31 May 2007 prepared under Section 226 of the Companies Act 1985

Respective responsibilities of the directors and the auditor

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Unit 3 Gateway Business Park
Beancross Road
Grangemouth
FK3 8WX

Date 23/1/08

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MAY 2007

	Note	2007 £	2006 £
Gross profit		1,520,232	1,726,383
Administrative expenses		(1,411,738)	(1,270,085)
Operating profit	2	<u>108,494</u>	<u>456,298</u>
Interest receivable		37,732	22,915
Profit on ordinary activities before taxation		<u>146,226</u>	<u>479,213</u>
Tax on profit on ordinary activities	5	(7,232)	(4,354)
Profit for the financial year		<u><u>138,994</u></u>	<u><u>474,859</u></u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on page 5 form part of these abbreviated accounts

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

ABBREVIATED BALANCE SHEET

31 MAY 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	6	143,859	97,949
Investments	7	2,867,798	2,867,798
		<u>3,011,657</u>	<u>2,965,747</u>
Current assets			
Debtors	8	726,881	385,469
Cash at bank and in hand		980,436	926,335
		<u>1,707,317</u>	<u>1,311,804</u>
Creditors: Amounts falling due within one year	9	<u>(1,238,836)</u>	<u>(953,222)</u>
Net current assets		<u>468,481</u>	<u>358,582</u>
Total assets less current liabilities		<u>3,480,138</u>	<u>3,324,329</u>
Capital and reserves			
Called up share capital	13	896,244	889,518
Share premium account	14	390,947	380,858
Profit and loss account	15	2,192,947	2,053,953
Shareholders' funds	16	<u>3,480,138</u>	<u>3,324,329</u>

These abbreviated accounts have been prepared in accordance with the special provisions for medium sized companies under Part VII of the Companies Act 1985

These abbreviated accounts were approved by the directors and authorised for issue on 20 December 2007, and are signed on their behalf by



Campbell Christie
Director



Martin Ritchie
Director

The notes on page 6 form part of these abbreviated accounts

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2007

	Note	2007 £	£	2006 £	£
Net cash inflow from operating activities	17		93,096		389,395
Returns on investments and Servicing of finance					
Interest received		<u>37,732</u>		<u>22,915</u>	
Net cash inflow from returns on investments and servicing of finance			37,732		22,915
Taxation			(4,354)		–
Capital expenditure					
Payments to acquire tangible fixed assets		(89,188)		(78,932)	
Receipts from sale of fixed assets		<u>–</u>		<u>750</u>	
Net cash outflow from capital expenditure			(89,188)		(78,182)
Acquisitions and disposals					
Acquisition of shares in group undertakings		<u>–</u>		<u>(2)</u>	
Net cash outflow from acquisitions and disposals			–		(2)
Cash inflow before financing			<u>37,286</u>		<u>334,126</u>
Financing					
Issue of equity share capital		6,726		20,150	
Share premium on issue of equity share capital		<u>10,089</u>		<u>25,745</u>	
Net cash inflow from financing			16,815		45,895
Increase in cash	17		<u><u>54,101</u></u>		<u><u>380,021</u></u>

The notes on page 7 form part of these abbreviated accounts

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts

Fixed asset investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value

Turnover

Turnover represents the total invoice values and receipts values, excluding value added tax, of providing football entertainment to the general public during the year. Turnover is recognised as and when the product or service has been delivered to the customer

Tangible fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Leasehold Improvements	4% Straight Line
Fixtures & Fittings	25% Straight Line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund

Deferred taxation

Deferred tax 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 or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions

Deferred tax is calculated on an undiscounted basis at the 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 enacted or substantively enacted at the balance sheet date

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

1 Accounting policies *(continued)*

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Valuation of playing squad

The directors have considered accounting standards which were issued by the Accounting Standards Board and apply to these accounts, in respect of valuation of intangible assets, including players. One of the recent standards requires intangible assets to be incorporated in the balance sheet. However, at the present stage of the development of the club, the directors do not consider it prudent to recognise this value in the balance sheet at this time. The directors will reconsider this position in the future.

2 Operating profit

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of owned fixed assets	31,547	13,805
Loss/(profit) on disposal of fixed assets	11,731	(750)
Auditors remuneration	4,145	3,600
Operating lease costs		
Land and buildings	143,800	142,484

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2007 No	2006 No
Number of admin/ground staff	55	53
Number of commercial staff	12	11
Number of playing staff	49	51
	<u>116</u>	<u>115</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	2,106,543	1,650,849
Social security costs	203,527	175,728
Other pension costs	—	632
	<u>2,310,070</u>	<u>1,827,209</u>

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2007 £	2006 £
Emoluments receivable	<u>66,784</u>	<u>61,413</u>

No pension costs have been incurred by the company in respect of the directors

5 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £	2006 £
UK Corporation tax	<u>7,232</u>	<u>4,354</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2006 19%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>146,226</u>	<u>479,213</u>
Profit on ordinary activities by rate of tax	27,783	91,050
Effects of		
Expenses not deductible for tax purposes	3,431	
Depreciation for period in excess of capital allowances	5,994	4,152
Utilisation of tax losses	(30,039)	(90,848)
Tax chargeable at 20%	63	
Total current tax (note 5(a))	<u>7,232</u>	<u>4,354</u>

(c) Factors that may affect future tax charges

The company has corporation tax losses carried forward of £2,197,714 (2006 £2,355,812)

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

6 Tangible fixed assets

	Leasehold Improvement £	Fixtures & Fittings £	Total £
Cost			
At 31 May 2006	28,409	213,987	242,396
Additions	38,349	50,839	89,188
Disposals	(4,163)	(126,046)	(130,209)
At 31 May 2007	<u>62,595</u>	<u>138,780</u>	<u>201,375</u>
Depreciation			
At 31 May 2006	936	143,511	144,447
Charge for the year	2,053	29,494	31,547
On disposals	—	(118,478)	(118,478)
At 31 May 2007	<u>2,989</u>	<u>54,527</u>	<u>57,516</u>
Net book value			
At 31 May 2007	<u>59,606</u>	<u>84,253</u>	<u>143,859</u>
At 30 May 2006	<u>27,473</u>	<u>70,476</u>	<u>97,949</u>

7. Investments

	Investment in subsidiary undertakings £
Cost	
At 31 May 2006 and 31 May 2007	<u>2,867,798</u>
Net book value	
At 31 May 2007	<u>2,867,798</u>
At 30 May 2006	<u>2,867,798</u>

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

7 Investments (continued)

The company owns 20% or more of the issued share capital of the companies listed below,

	2007 £	2006 £
Aggregate capital and reserves		
Falkirk FC (Retail) Limited	(47)	(64)
Westfield Stadium Limited (Dormant)	2	2
Falkirk Community Stadium Limited	(1,628,755)	(1,111,788)

Profit and (loss) for the year

Falkirk FC (Retail) Limited	(17)	(66)
Westfield Stadium Limited (Dormant)	—	—
Falkirk Community Stadium Limited	(516,969)	(616,890)

Company	Country of Registration or incorporation	Shares Held Class	%
Falkirk FC (Retail) Limited	Scotland	Ordinary	100
Westfield Stadium Limited (Dormant)	Scotland	Ordinary	100
Falkirk Community Stadium Limited	Scotland	Ordinary	75

The companies investment in Falkirk Community Stadium Limited consists of 75,000 ordinary A shares of £1 each and £2,792,719 of loan stock. The loan stock is interest free secured loan stock. All loan stock is transferable. There are no plans to repay these loans in the foreseeable future.

8. Debtors

	2007 £	2006 £
Trade debtors	133,409	101,021
Amounts due from related parties	119,714	106,710
Other debtors	410,528	134,926
Prepayments and accrued income	63,230	42,812
	<u>726,881</u>	<u>385,469</u>

Included within "Amounts due from related parties" is a balance with Falkirk F C (Retail) Limited which totals £109,477. This is not expected to be fully paid within one year.

9 Creditors: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	259,892	244,891
Corporation tax	7,232	4,354
PAYE and social security	125,381	99,247
VAT	110,940	89,946
Other creditors	26,053	16,036
Amounts owed to related parties	43,760	23,171
Accruals and deferred income	665,578	475,577
	<u>1,238,836</u>	<u>953,222</u>

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

10 Derivatives

The company has no financial instruments that fall to be classed as derivatives

11 Commitments under operating leases

At 31 May 2007 the company had annual commitments under non cancellable operating leases as set out below

	<i>Land & buildings</i>	
	2007	2006
	£	£
Operating leases which expire		
After more than 5 years	<u>142,170</u>	<u>142,170</u>

12 Related party transactions

The company made sales to Falkirk Community Stadium Limited of £19,376 (2006 £26,627) and there is a year end debtor balance of £5,776 (2006 £10,262) The transactions relate to hospitality, sponsorship and recharges, and were carried out at arms length

The company holds £2,792,719 of loan stock in Falkirk Community Stadium Limited which is disclosed within fixed asset investments This is not repayable within the foreseeable future

The company made purchases from Falkirk Community Stadium Limited to the value of £280,710 (2006 £97,740) and there is a year end creditor balance of £36,571 (2006 £35,282) The transactions relate to property rental and utilities provided, and were carried out at arms length

At the year end there was a balance due from Falkirk F C (Retail) Limited of £109,477 (2006 £93,761) £22,500 (2006 £53,966) was received as management charges in the year and the balancing movement related to inter company transfers

MAAD Operators Limited is a company with common shareholders, Martin Ritchie and Alexander Miller The company made sales to MAAD Operators Limited of £16,705 (2006 £0) and there is a year end debtor balance of £3,602 (2006 £0) The transactions relate to £15,000 of management charges plus sponsorship and advertising, and were carried out at arms length

The company made purchases from MAAD Operators Limited to the value of £21,000 (2006 £18,000) and there is a year end creditor balance of £7,050 (2006 £4,700) The transactions relate to premises rental for match days, and were carried out at arms length

A Miller Electrical Limited and James W Bennie & Son are entities with a common owner, Alexander Miller The company made purchases from these entities to the value of £9,656 (2006 £20,986) and there is a year end creditor balance of £367 (2006 £462) The transactions relate to electrical and plumbing work, and were carried out at arms length

Douglas Paterson was a partner of Scott & Paterson and is a director of the company The company made sales to Scott & Paterson of £1,586 (2006 £2,855) and there is a year end debtor balance of £0 (2006 £0) The transactions relate to hospitality and were carried out at arms length

The company made purchases from Scott & Paterson to the value of £2,773 (2006 £1,175) and there is a year end creditor balance of £0 (2006 £0) The transactions relate to accounts and tax work, and were carried out at arms length

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

13. Share capital

Authorised share capital

	2007 £	2006 £
2,500,000 Ordinary shares of £0 50 each	<u>1,250,000</u>	<u>1,003,500</u>

Allotted, called up and fully paid

	2007 No	£	2006 No	£
Ordinary shares of £0 50 each	<u>1,792,488</u>	<u>896,244</u>	<u>1,779,036</u>	<u>889,518</u>

During the year, authorised share capital was increased from 2,007,000 ordinary shares of £0 50 each to 2,500,000 ordinary shares of £0 50 each

14 Share premium account

	2007 £	2006 £
Balance brought forward	380,858	355,113
Premium on shares issued in the year	<u>10,089</u>	<u>25,745</u>
Balance carried forward	<u>390,947</u>	<u>380,858</u>

During the year, 13,452 ordinary shares with nominal value of 50p each were issued for proceeds of £16,815

15. Profit and loss account

	2007 £	2006 £
Balance brought forward	2,053,953	1,579,094
Profit for the financial year	<u>138,994</u>	<u>474,859</u>
Balance carried forward	<u>2,192,947</u>	<u>2,053,953</u>

16. Reconciliation of movements in shareholders' funds

	2007 £	£	2006 £	£
Profit for the financial year		138,994		474,859
New equity share capital subscribed	6,726		20,150	
Premium on new share capital subscribed	<u>10,089</u>		<u>25,745</u>	
		16,815		45,895
Net addition to shareholders' funds		155,809		520,754
Opening shareholders' funds		3,324,329		2,803,575
Closing shareholders' funds		<u>3,480,138</u>		<u>3,324,329</u>

FALKIRK FOOTBALL & ATHLETIC CLUB LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 MAY 2007

17 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£	£
Operating profit	108,494	456,298
Depreciation	31,547	13,805
Loss/(profit) on disposal of fixed assets	11,731	(750)
Decrease in stocks	—	23,734
Increase in debtors	(341,412)	(225,610)
Increase in creditors	282,736	121,918
Net cash inflow from operating activities	<u>93,096</u>	<u>389,395</u>

Reconciliation of net cash flow to movement in net funds

	2007	2006
	£	£
Increase in cash in the period	<u>54,101</u>	<u>380,021</u>
Movement in net funds in the period	<u>54,101</u>	<u>380,021</u>
Net funds at 31 May 2006	926,335	546,314
Net funds at 31 May 2007	<u>980,436</u>	<u>926,335</u>

Analysis of changes in net funds

	At 31 May 2006	Cash flows	At 31 May 2007
	£	£	£
Net cash			
Cash in hand and at bank	926,335	54,101	980,436
Net funds	<u>926,335</u>	<u>54,101</u>	<u>980,436</u>

18 Ultimate controlling party

The company was under the control of the Board of Directors throughout the whole of the current and previous years