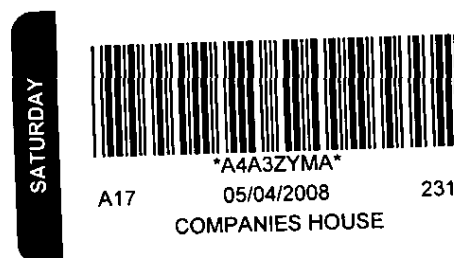


DESTINOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007



COMPANY NUMBER: 4293908

DESTINOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

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DESTINOLOGY LIMITED

COMPANY INFORMATION

DIRECTORS

Dominic James Speakman
Susan Elizabeth Hingley

SECRETARY

Dominic James Speakman

REGISTERED COMPANY NUMBER

4293908

REGISTERED OFFICE

Hall Lane
Lostock
Bolton
Lancashire
BL6 4BL

BANKERS

Barclays Bank
Wellsprings Branch
Victoria Square
Bolton
Lancashire
BL1 1BY

AUDITORS

Nexia Smith & Williamson LLP
Portwall Place
Portwall Lane
Bristol
BS1 6NA

DESTINOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

DIRECTORS' REPORT

The directors present their report together with the Financial Statements for the year ended 31 October 2007

Principal activities

The principal activity of the company is the provision of holidays

Business review

The growth of the company further continued in 2007 with an increase in turnover of 57.8 %

As at the 31st October 2007 the total value of bookings taken but not yet released to the Profit and Loss account, amounted to £5.3m an increase of 71.1% on 2007

Within the Balance Sheet the amount of Deferred Revenue is included in Creditors falling due within 1 year

Results and dividends

The results of the year's trading, the financial position of the company and the transfer to reserves are shown on pages 5 and 6

The company's profit for the year, before taxation, amounted to £153,113 (2006 £361,569 loss)

An appropriation of £19,800 (2006 £19,800) has been made in respect of the Redeemable Cumulative Preference shares. The directors do not recommend the payment of an ordinary dividend this year.

The retained profit for the year of £138,043 (2006 £358,333 loss) has been transferred to the profit and loss reserves

Financial risk management and objectives and policies

The financial risk management objectives of the company in relation to financial instruments are set by the directors with a view to minimising its exposure to price risk, credit risk, liquidity risk, exchange risk and cash flow risk. The use of various financial instruments will be considered to mitigate risks or enhance returns, subject to strict control of exposures.

Key Performance Indicators

	2007	2006	Increase
	£'000	£'000	%
Turnover	14,974	9,487	57.8%
Deferred Revenue	5,324	3,112	71.1%
Booking value	17,076	10,369	64.7%
Number of bookings	6,058	4,454	36.0%

DESTINOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2007

DIRECTORS' REPORT (Continued)

Directors

The directors who served during the year were as follows

D J Speakman
S E Hingley

Statement of directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial period which 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 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,
- Prepare the Financial Statements on a 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.

In so far as each of the directors are aware

- There is no relevant audit information of which the company's auditors are aware, 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 auditors are aware of that information

Political and charitable gifts

No political or charitable contributions were made during the year (2006 £nil)

Auditors

On 2nd April 2007 Solomon Hare Audit LLP changed its name to Smith and Williamson Solomon Hare Audit LLP. On the 18th of February 2008, Smith and Williamson Solomon Hare Audit LLP changed its name to Nexia Smith & Williamson Audit (Bristol) LLP, which is trading as Nexia Smith & Williamson LLP.

In accordance with section 385 of the Companies Act 1985, a resolution to reappoint Nexia Smith & Williamson LLP as auditors will be proposed at the forthcoming Annual General Meeting.



By order of the Board
D J Speakman
Secretary

Date 31 March 2008

DESTINOLOGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DESTINOLOGY LIMITED

We have audited the financial statements of Destinology Limited for the year ended 31 October 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We read the information contained within the Directors' Report and consider whether it is consistent with the audited accounts. Our responsibilities do not extend to any other information.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson LLP
Chartered Accountants
Registered Auditors
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Nexia Smith & Williamson LLP

Date *31 March 2008*

DESTINOLOGY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2007**

	Notes	2007 £	2006 £
Turnover	1	14,974,442	9,486,839
Cost of sales		(12,634,656)	(8,516,787)
		<u>2,339,786</u>	<u>970,052</u>
Administrative expenses		(2,198,363)	(1,406,831)
Operating profit / (loss)	2	141,423	(436,779)
Interest receivable	4	35,875	5,367
Interest payable	5	(24,185)	(21,732)
Waiver of dividend		-	91,575
Profit / (loss) on ordinary activities before taxation		<u>153,113</u>	<u>(361,569)</u>
Taxation	6	(15,070)	3,236
Profit / (loss) for the financial year	15	<u>138,043</u>	<u>(358,333)</u>

All activities undertaken by the company are continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £	2006 £
Profit / (loss) for the financial year	138,043	(358,333)
Prior year adjustment (note 16)	-	(239,800)
Total gains and losses recognised since last annual report	<u>138,043</u>	<u>(598,133)</u>

The prior year adjustment shows cumulative redeemable preference shares restated as liabilities in accordance with FRS 25

The notes on pages 8 to 18 form part of these financial statements

DESTINOLOGY LIMITED**BALANCE SHEET AS AT 31 OCTOBER 2007**

		2007	2006
	Notes	£	£
Fixed assets			
Intangible assets	7	47,640	-
Tangible assets	8	<u>168,846</u>	<u>145,713</u>
		216,486	145,713
Current assets			
Stock	9	77,473	12,559
Debtors	10	4,211,841	3,124,521
Cash at bank and in hand		<u>2,536,367</u>	<u>615,829</u>
		6,825,681	3,752,909
Creditors: amounts falling due within one year	11	<u>(6,407,562)</u>	<u>(3,876,313)</u>
Net current assets/(liabilities)		<u>418,119</u>	<u>(123,404)</u>
Total assets less current liabilities		634,605	22,309
Creditors: amounts falling due after more than one year	12	(888,226)	(413,973)
Provision for liabilities and charges	13	<u>-</u>	<u>-</u>
Net liabilities		<u>(253,621)</u>	<u>(391,664)</u>
Capital and reserves			
Called up share capital	14	30,000	30,000
Profit and loss account	15	<u>(283,621)</u>	<u>(421,664)</u>
Total shareholders' deficit	16	<u>(253,621)</u>	<u>(391,664)</u>

The financial statements were approved by the Board of Directors on 31st March 2008 were signed on its behalf by



D J Speakman
Director

The notes on pages 8 to 18 form part of these financial statements

DESTINOLOGY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2007**

	Notes	2007	2006
		£	£
Cash flow statement			
Net cash inflow from operating activities	21	1,519,555	60,101
Returns on investments and servicing of finance			
Hire purchase and finance lease interest paid		(4,385)	(1,932)
Bank interest received		<u>35,875</u>	<u>5,367</u>
Net inflow from returns on investments and servicing of finance		31,490	3,435
Taxation		8,073	-
Capital expenditure			
Purchase of fixed assets		<u>(112,454)</u>	<u>(49,416)</u>
Net outflow from capital expenditure		<u>(112,454)</u>	<u>(49,416)</u>
Net inflow/ before financing and use of liquid reserves		1,446,664	14,120
Financing			
New loans		500,000	-
Capital element of finance lease rental payments		<u>(26,126)</u>	<u>(12,375)</u>
Net inflow from financing		<u>473,874</u>	<u>(12,375)</u>
Increase in cash	22	<u>1,920,538</u>	<u>1,745</u>

The notes on pages 8 to 18 form part of these financial statements

**ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 OCTOBER 2007**

The principal accounting policies of the company are set out below

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business in respect of the value of holidays sold excluding VAT. Income is recognised on the date of the holiday makers' departure. Non refundable deposits are recognised upon booking.

FRS 25 "Financial Instruments: Disclosure and Presentation"

FRS 25 "Financial Instruments: Disclosure and Presentation" has been adopted during the prior year. Prior to this the company classified financial instruments, such as preference shares, as non-equity shareholders funds and were classified in the balance sheet as part of share capital and reserves.

FRS 25 requires that the substance rather than the legal form of a financial instrument be considered when considering the classification of a financial instrument within the balance sheet. The full accounting policy is given below.

The effect of this change in accounting policy was to reclassify preference shares as financial liabilities within creditors falling due within one year.

In line with the change in balance sheet classification the dividend paid to the preference shareholders has been reclassified as part of net interest paid, rather than being included within dividends paid and proposed in the profit and loss account.

Intangible fixed assets: Trade Marks

These relate to the registering the Destinology name and logo. Trade Marks are capitalised at historical cost and amortised on a reducing balance basis at 25% per annum.

Intangible fixed assets: Development Costs

This relates to the cost of development of the company in house booking system. The directly attributable costs have been capitalised and are being amortised over its estimated useful life of three years.

Tangible fixed assets and depreciation

Depreciation is calculated to write-off the cost of the assets on a straight line basis over their estimated useful life.

The rate of depreciation used is

Computer hardware and software	-	20% per annum
Fixtures and fittings	-	20% per annum

Deferred taxation

Deferred tax is recognised on a full provision basis in respect of all timing differences which have originated, but not reversed at the balance sheet date. Timing differences represent the accumulated differences between the company's taxable profit and accounting profit and arise primarily from the difference between accelerated capital allowances and depreciation. The provision is not discounted.

**ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007**

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Pension costs

The company operates a defined contribution scheme. The pension costs are charged to the Profit and Loss Account in the period for which contributions are payable. Assets of the scheme are held separately from those of the company in independently administered funds.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Profit and Loss Account over the period of the lease and represents a constant periodic rate of charge.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007****1 TURNOVER**

In the opinion of the directors there is only one class of business. Turnover is entirely attributable to the UK.

2 OPERATING PROFIT/ (LOSS)

Operating Profit/ (loss) is stated after charging

	2007	2006
	£	£
Directors emoluments	61,107	51,572
Auditors' remuneration - audit	8,250	10,000
- other	-	-
Amortisation	11,084	-
Depreciation charge for the year		
- Tangible owned fixed assets	15,354	4,723
- Tangible fixed assets under hire purchase contracts	15,242	15,242
Operating leases – property	71,502	41,038
	<hr/>	<hr/>

3 STAFF COSTS

	2007	2006
	£	£
Staff costs during the year amounted to		
Wages and salaries	984,374	668,184
Pension costs	15,716	4,926
Social security costs	88,236	65,302
	<hr/>	<hr/>
	1,088,326	738,412
	<hr/>	<hr/>

The average monthly number of employees during the year including directors within each category of persons was

	No	No
Sales and administration	69	42
	<hr/>	<hr/>

4 INTEREST RECEIVABLE

	2007	2006
	£	£
Bank interest receivable	35,875	5,367
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007****5 INTEREST PAYABLE**

	2007	2006
	£	£
Redeemable Cumulative Preference Share dividend	19,800	19,800
Finance lease interest payable	4,385	1,932
	<u>24,185</u>	<u>21,732</u>

The Redeemable Cumulative Preference shares are entitled to a dividend of 9% per annum. The shareholders previously waived their rights absolutely to the arrears of dividends to 31st October 2006.

6 TAXATION

	2007	2006
	£	£
a) Analysis of charge in year:		
UK Corporation Tax		
Current year	15,070	-
Prior year	-	-
	<u>15,070</u>	<u>-</u>
Deferred Tax (note 12)		
Current year	-	(3,236)
Prior year	-	-
	<u>-</u>	<u>(3,236)</u>
	<u>15,070</u>	<u>(3,236)</u>

b) Factors affecting tax charge for year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below.

	2007	2006
	%	%
Standard rate of corporation tax in the United Kingdom	30.0	(30.0)
Effects of		
Expenses not deductible for tax	0.1	0.3
Marginal relief	(1.3)	-
Depreciation in excess of capital allowances	(3.1)	(2.4)
Unrelieved tax losses and other deductions arising in the period	-	32.1
Utilisation of tax losses and other deductions	<u>(15.9)</u>	<u>-</u>
UK corporation tax charge for year	<u>9.8</u>	<u>0.0</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007****6 TAXATION (Continued)****Factors which may affect future tax charges.**

Losses of approximately £364,766 (2006 £466,138) are available to set off against future taxable trading profits

7 INTANGIBLE FIXED ASSETS

	Development costs	Trade marks	Total
	£	£	£
Cost			
At 1 November 2006	-	-	-
Additions	55,330	3,394	58,724
At 31 October 2007	55,330	3,394	58,724
Depreciation			
At 1 November 2006	-	-	-
Charge for the year	(11,028)	(56)	(11,084)
At 31 October 2007	(11,028)	(56)	(11,084)
Net book value as at 31 October 2007	44,302	3,338	47,640
Net book value as at 31 October 2006	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007****8 TANGIBLE FIXED ASSETS**

	Fixtures and fittings £	Computer hardware and software £	Total £
Cost			
At 1 November 2006	94,826	103,053	197,879
Additions	11,242	42,487	53,729
At 31 October 2007	106,068	145,540	251,608
Depreciation			
At 1 November 2006	(10,555)	(41,611)	(52,166)
Charge for the year	(16,095)	(14,501)	(30,596)
At 31 October 2007	(26,650)	(56,112)	(82,762)
Net book value as at 31 October 2007	79,418	89,428	168,846
Net book value as at 31 October 2006	84,271	61,442	145,713

Hire purchase agreements

The net book value of fixtures and fittings, and computer hardware and software includes £33,463 (2006 £41,829) and £27,504 (2006 £34,380) respectively, in respect of assets held under finance leases. The amount of depreciation in respect of such assets amounted to £6,876 (2006 £6,876), and £8,366 (2006 £8,366) respectively for the year.

9 STOCK

	2007 £	2006 £
Stationery, advertising materials and consumables	77,473	12,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007**10 DEBTORS**

Amounts falling due within one year	2007	2006
	£	£
Trade debtors	3,071,223	2,023,679
Other debtors	922,995	979,966
Prepayments and accrued income	146,262	77,342
Social security and taxes	71,361	35,461
Corporation tax	-	8,073
	<u>4,211,841</u>	<u>3,124,521</u>

Included within other debtors is an amount of £101,527 (2006 £68,247) being a deposit with a supplier. This is secured by a guarantee given by Yorkshire Bank plc who have a charge over this sum.

11 CREDITORS: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	936,636	637,566
Dividend payable	19,800	-
Corporation Tax	15,070	-
Obligations under finance leases and hire purchase contracts	29,482	29,861
Amounts owed to related undertaking	1,485	6,256
Social security and other taxes	32,749	30,211
Accruals	47,952	60,579
Deferred revenue	5,324,388	3,111,840
	<u>6,407,562</u>	<u>3,876,313</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007****12 CREDITORS: amounts falling due after more than one year**

	2007	2006
	£	£
Amount owed to related undertaking	410,000	160,000
Loan (note 17)	250,000	-
Redeemable Cumulative Preference Shares (220,000 of £1 each)	220,000	220,000
Obligations under finance leases and hire purchase contracts	8,226	33,973
	<u>888,226</u>	<u>413,973</u>

The amounts owed to a related undertaking and the loan, represent interest free loans. The loans are subordinated to the CAA and cannot be withdrawn without the CAA's prior written consent.

The Redeemable Cumulative Preference shares are redeemable at par at the company's option and are entitled to a dividend of 9% per annum.

13 PROVISION FOR LIABILITIES AND CHARGES

The amounts provided for deferred taxation calculated on the liability method, are set out below.

	2007	2006
	£	£
Accelerated capital allowances	-	8,631
Tax losses	-	(5,395)
	<u>-</u>	<u>3,236</u>
Provision at 1 November 2005	-	3,236
Deferred tax credit in profit and loss account	-	(3,236)
	<u>-</u>	<u>-</u>
Provision at 31 October 2006	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007**14 CALLED UP SHARE CAPITAL**

	2007	2006
	£	£
Authorised		
50,000 Ordinary shares of £1 each (Class A)	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
30,000 Ordinary shares of £1 each (Class A)	30,000	30,000
	<hr/>	<hr/>

15 RESERVES

	Profit and Loss account
	£
As at 1 November 2006	(421,664)
Retained profit for the year	138,043
	<hr/>
Balance at 31 October 2007	(283,621)
	<hr/>

16 SHAREHOLDERS' FUNDS

Reconciliation of movement on shareholders' funds

	2007	2006
	£	£
Opening shareholders funds	(391,664)	206,469
Prior year adjustment	-	(239,800)
	<hr/>	<hr/>
Opening shareholders funds as restated	(391,664)	(33,331)
Profit/(Loss) for year	138,043	(358,333)
	<hr/>	<hr/>
Closing shareholders funds	(253,621)	(391,664)
	<hr/>	<hr/>

The company adopted FRS25 in the previous year. Accordingly the Cumulative Redeemable Preference Shares of £220,000 were restated as a liability (formerly included within shareholders funds, non equity) and the dividend of £19,800 was restated as a finance charge within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007****17 RELATED PARTY TRANSACTIONS**

During the year the company paid rent of £ nil (2006 £4,166) and a management charge of £4,800 (2006 £7,200) together with sundry other directly recharged expenses to Travel Counsellors PLC, a company in which Mr DJ Speakman has an indirect interest. Travel Counsellors PLC acted as agent in respect of the sale of holidays with a gross value of £1,254,655 (2006 £4,787,403), which are included in trade debtors, net of cash received of £250,345 (2006 £39,988). An additional balance was outstanding at 31 October 2007 of £1,545 (2006 £983) (Note 10).

Travel Counsellors PLC have advanced an interest free loan of £160,000 which is outstanding at the year end (2006 - £160,000).

During the year Mr D J Speakman has advanced an interest free loan of £250,000 which is outstanding at the year end (note 12). Mr D F Speakman, a director of Travel Counsellors plc, also advanced an interest free loan of £250,000 which has been included in 'amounts owed to related undertakings' at the year end (note 12).

18 ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party to be Mr DJ Speakman by virtue of his shareholding.

19 OPERATING LEASE COMMITMENTS

At 31 October 2007, the company had annual commitments under operating leases as set out below.

	2007		2006	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Operating leases which expire				
Within 1 year	-	-	-	-
Within 2 to 5 years	94,600	16,693	94,600	16,750
	<u>94,600</u>	<u>16,693</u>	<u>94,600</u>	<u>16,750</u>

20 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows.

	2007	2006
	£	£
Amounts payable within 1 year	29,482	29,861
Amounts payable between 2 to 5 years	8,226	33,973
	<u>37,708</u>	<u>63,834</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2007**

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit / (loss)	141,423	(436,779)
Depreciation charges	30,597	19,965
Amortisation Charges	11,084	-
(Increase) in stocks	(64,914)	(5,151)
(Increase) in debtors	(1,095,393)	(1,032,487)
Increase in creditors	2,496,758	1,514,553
Net cash inflow from operating activities	<u>1,519,555</u>	<u>60,101</u>

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007	2006
	£	£
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	1,920,538	1,745
Cash outflow from decrease in debt and lease financing	26,126	12,375
Change in net funds resulting from cash flows	<u>1,946,664</u>	<u>14,120</u>
New finance leases	-	(76,209)
Movement in net funds in the year	<u>1,946,664</u>	<u>(62,089)</u>
Net funds at beginning of year	551,995	614,084
Net funds at end of year	<u>2,498,659</u>	<u>551,995</u>

23 ANALAYSIS OF CHANGES IN NET FUNDS

	At 1 November 2006	Cash flows	Other changes	At 31 October 2007
	£	£	£	£
Cash at bank and in hand	615,829	1,920,538	-	2,536,367
Finance leases	(63,834)	26,126	-	(37,708)
	<u>551,995</u>	<u>1,946,664</u>	<u>-</u>	<u>2,498,659</u>

During the year the company entered into new finance lease arrangements with a value of £ nil (2006 £76,209)