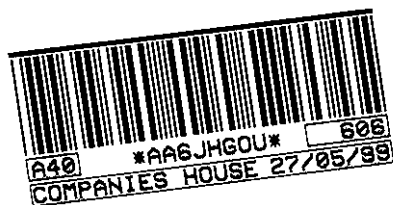


# ARTHUR ANDERSEN

## Transform Holdings Limited and subsidiary undertakings

Accounts 31 December 1998  
together with directors' and auditors' reports

Registered number: 2773587



**DIRECTORS**

J.M. Ryan  
D.J. Cooper  
N.J. Curry F.C.A.  
M.J. Boyle B.A. A.C.A.  
R.C.A. Walker B.A.

**SECRETARY**

N.J. Curry F.C.A.

**REGISTERED OFFICE**

Hollins House  
Cottesmore Gardens  
Hale Barns  
Altrincham  
Cheshire  
WA15 8TS

**AUDITORS**

Arthur Andersen  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

**BANKERS**

Barclays Bank PLC  
51 Mosley Street  
Manchester  
M60 2AU

**SOLICITORS**

Hill Dickinson  
50 Fountain Street  
Manchester  
M2 2AS

## Directors' report

For the year ended 31 December 1998

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1998.

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Principal activity and business review

The company is a holding company. The principal activity of the group is in the field of cosmetic surgery and related procedures.

The financial position of the group is set out in the balance sheet on page 6.

### Results and dividends

The group results and dividend paid are as follows:

	£
Retained profit at beginning of year	194,366
Profit for the financial year	530,849
Dividend paid	(250,000)
Retained profit at end of year	<u>475,215</u>

## Directors' report (continued)

### Directors and their interests

The directors who served during the year, together with their interests as required to be shown by Schedule 7 of the Companies Act 1985, are:

J.M. Ryan	(Chairman)
D.J. Cooper	
N.J. Curry F.C.A.	
M.J. Boyle B.A. A.C.A.	(appointed 2 March 1998)
R.C.A. Walker * B.A.	

\* non-executive director


With the exception of J.M. Ryan who held 100 shares in the company (1997 - 100) none of the directors in office at 31 December 1998 had any interest in the shares of the company.

### Year 2000 and the Euro

The Year 2000 issue, relating to date sensitive calculations, is one which affects all companies which are reliant on computer based technologies. The company is giving high priority to the impact of the millennium and is taking significant and positive steps to minimise the effect of the Year 2000 date change on the company's ability to maintain its systems and to continue to provide services to customers. Any costs incurred in achieving this will be charged to operating costs.

The directors are investigating the likely impact of the euro on the company. Their brief is to ensure that the company is fully prepared in readiness for the introduction of the euro and, in particular, for the business implication of the United Kingdom's potential entry into EMU.

By order of the Board,

  
N.J. Curry F.C.A.  
Secretary

Hollins House  
Cottesmore Gardens  
Hale Barns  
Altrincham  
Cheshire  
WA15 8TS

29 April 1999

## Auditors' report

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Manchester

### To the Shareholders of Transform Holdings Limited:

We have audited the accounts on pages 5 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

### Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1998 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

29 April 1999

## Consolidated profit and loss account

For the year ended 31 December 1998

	Notes	Continuing operations £	Discontinued operations £	Total 1998 £	1997 £
<b>Turnover</b>	2	16,172,345	855,007	17,027,352	12,221,705
<b>Cost of sales</b>		(7,405,825)	(590,043)	(7,995,868)	(5,372,719)
<b>Gross profit</b>		8,766,520	264,964	9,031,484	6,848,986
<b>Other operating expenses</b>	3	7,868,668	(354,561)	(8,223,229)	(5,871,701)
<b>Operating profit:</b>					
Before exceptional items		842,934	(62,107)	780,827	1,238,028
Exceptional items	6	54,918	(27,490)	27,428	(260,743)
<b>Operating profit</b>		897,852	(89,597)	808,255	977,285
<b>Interest receivable</b>				118,929	83,708
<b>Interest payable</b>	4			(89,585)	(83,811)
<b>Profit on ordinary activities before taxation</b>	5			837,599	977,182
<b>Tax on profit on ordinary activities</b>	8			(326,354)	(376,738)
<b>Profit for the year after taxation</b>				511,245	600,444
<b>Minority interests</b>				19,604	8,072
<b>Profit for the financial year</b>				530,849	608,516
<b>Dividends paid</b>				(250,000)	(250,000)
<b>Retained profit for the year</b>	16			280,849	358,516

There are no recognised gains or losses in either year other than the profit for the financial year.

A statement of movements on reserves is given in note 16.

The accompanying notes are an integral part of this consolidated profit and loss account.

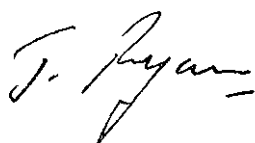
# Group balance sheet

31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	9	2,058,700	1,872,552
Investments	10	-	86,915
		<u>2,058,700</u>	<u>1,959,467</u>
<b>Current assets</b>			
Stocks		568,798	170,493
Debtors	11	945,741	220,681
Investments	12	1,300,000	1,470,000
Cash at bank and in hand		107,122	362,955
		<u>2,921,661</u>	<u>2,224,129</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(3,975,511)</u>	<u>(3,362,520)</u>
<b>Net current liabilities</b>		<u>(1,053,850)</u>	<u>(1,138,391)</u>
<b>Total assets less current liabilities</b>		<u>1,004,850</u>	<u>821,076</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(485,363)</u>	<u>(562,834)</u>
<b>Net assets</b>		<u>519,487</u>	<u>258,242</u>
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Share premium account	16	381,578	381,578
Other reserves	16	(299,631)	(299,631)
Profit and loss account	16	475,215	194,366
		<u>557,262</u>	<u>276,413</u>
<b>Equity shareholders' funds</b>	17	<u>557,262</u>	<u>276,413</u>
Equity minority interests		<u>(37,775)</u>	<u>(18,171)</u>
<b>Total capital and reserves</b>		<u>519,487</u>	<u>258,242</u>

Signed on behalf of the Board

J.M. Ryan



Director

29 April 1999

The accompanying notes are an integral part of this consolidated balance sheet.

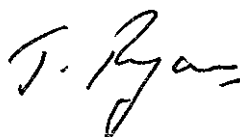
# Company balance sheet

31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Investments	10	<u>591,546</u>	<u>678,461</u>
<b>Current assets</b>			
Debtors	11	536,804	213,827
Cash at bank		<u>2,845</u>	<u>2,902</u>
		539,649	216,729
<b>Creditors: Amounts falling due within one year</b>	13	<u>(66,460)</u>	<u>(28,047)</u>
<b>Net current assets (liabilities)</b>		<u>473,189</u>	<u>188,682</u>
<b>Total assets less current liabilities</b>		1,064,735	867,143
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(459,000)</u>	<u>(459,000)</u>
<b>Net assets</b>		<u>605,735</u>	<u>408,143</u>
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Share premium account	16	381,578	381,578
Profit and loss account	16	<u>224,057</u>	<u>26,465</u>
<b>Equity shareholders' funds</b>		<u>605,735</u>	<u>408,143</u>

Signed on behalf of the Board

J.M. Ryan



Director

29 April 1999

The accompanying notes are an integral part of this balance sheet.



## Group cash flow statement

For the year ended 31 December 1998

	Notes	1998 £	1997 £
<b>Net cash inflow from operating activities</b>	18	1,102,345	2,037,651
Returns on investments and servicing of finance	18	29,344	5,651
Taxation	18	(395,510)	(206,891)
Capital expenditure and financial investment	18	(680,049)	(301,364)
Acquisitions and disposals	18	-	62,848
Equity dividends paid		(250,000)	(250,000)
<b>Cash (outflow) inflow before management of liquid resources and financing</b>		(193,870)	1,347,895
Management of liquid resources	18	170,000	(1,120,000)
Financing	18	(231,963)	(245,466)
<b>Decrease in cash in the year</b>	19	(255,833)	(17,571)

The accompanying notes are an integral part of this consolidated cash flow statement.

## Notes to accounts

31 December 1998

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### *a) Basis of accounting*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *b) Basis of consolidation*

The group accounts consolidate the accounts of Transform Holdings Limited and all its subsidiary undertakings made up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

No profit and loss account for Transform Holdings Limited has been presented as permitted by section 230 of the Companies Act 1985.

#### *c) Acquisitions and disposals: fair value adjustments*

Where a company or business has been accounted for using the principles of acquisition accounting, fair values are attributed to the group's share of the identifiable net assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is recognised as goodwill. Goodwill is capitalised and written off over its useful economic life.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated to the balance sheet. On disposal of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

#### *d) Investments*

Fixed asset investments are stated at cost less provision for permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value.

#### *e) Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	- 2%
Leasehold improvements	- over the life of the lease
Fixtures, fittings and equipment	- 20% - 50%
Computer equipment	- 33 $\frac{1}{3}$ %
Motor vehicles	- 25%

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### f) Stocks

Stocks, which comprise consumables, are stated at the lower of cost and net realisable value.

#### g) Pension costs

Certain employees are members of defined contribution pension schemes. The contributions to the schemes are charged to the profit and loss account as they become payable.

#### h) Leasing and hire purchase

Assets obtained under hire purchase contracts which result in the transfer to the company of substantially all the risks and rewards of ownership are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

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

#### i) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except where recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

### 2 Turnover

Turnover represents the amount receivable for goods and services supplied and excludes value added tax. The turnover and pre-tax profit is attributable to one activity. All turnover is within the United Kingdom.

### 3 Other operating expenses

	1998 £	1997 £
Selling costs	3,725,675	2,598,680
Administrative expenses	4,554,560	3,331,889
	<hr/> 8,280,235	<hr/> 5,930,569
Other operating income	(57,006)	(58,868)
	<hr/> 8,223,229	<hr/> 5,871,701

## Notes to accounts (continued)

### 4 Interest payable

	1998 £	1997 £
On bank loan	17,152	11,729
On other loan	46,983	43,910
On hire purchase contracts	25,450	28,172
	<u>89,585</u>	<u>83,811</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Provision for permanent diminution in value of fixed asset investment	-	260,743
Depreciation and amounts written off tangible fixed assets		
- owned	333,869	265,927
- held under finance leases and hire purchase contracts	157,261	122,363
Operating lease rentals: properties	390,373	204,707
Auditors' remuneration		
- audit fees	19,103	30,133
- other	17,874	41,492
Staff costs (see note 7)	<u>4,316,139</u>	<u>2,977,233</u>

### 6 Exceptional items

	1998 £	1997 £
Refund of VAT (net of charges)	(199,833)	-
Write-down of goodwill on acquisition	65,000	-
Profit on sale of subsidiary company	(83,059)	-
Loss on sale of Belfast clinic	157,468	-
Release of profit on 1997 sale of subsidiary company	(46,919)	-
Loss on sale of fixed asset investment	79,915	-
Provision for permanent diminution in value	-	260,743
	<u>(27,428)</u>	<u>260,743</u>

## Notes to accounts (continued)

### 7 Staff costs

(a) *Particulars of employees (including executive directors) are as shown below:*

	1998 £	1997 £
Employee costs during the year amounted to:		
Wages and salaries	3,896,061	2,609,768
Social security costs	363,801	252,254
Other pension costs	56,277	115,211
	<u>4,316,139</u>	<u>2,977,233</u>

The pension cost for the year of £56,277 (1997 - £115,211) was entirely in respect of defined contribution pension schemes. There were no outstanding contributions at 31 December 1998 (1997 - £Nil).

The average monthly number of persons employed by the group during the year was as follows:

	1998 Number	1997 Number
Administration	81	65
Advising	36	25
Medical	86	75
	<u>203</u>	<u>165</u>

(b) *Directors' remuneration:*

Directors' remuneration was paid in respect of directors of the company as follows:

	1998 £	1997 £
Emoluments	726,709	387,649
Money purchase pension contributions	50,120	110,323
	<u>776,829</u>	<u>497,972</u>

## Notes to accounts (continued)

### 7 Staff costs (continued)

The directors' remuneration shown above, excluding pensions contributions, included:

	1998 £	1997 £
Highest paid director	<u>513,303</u>	<u>189,507</u>

The number of directors who were members of the pension schemes was as follows:

	1998 Number	1997 Number
Money purchase schemes	<u>4</u>	<u>3</u>

### 8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1998 £	1997 £
Corporation tax at 31% (1997 - 31.53%)	<u>313,580</u>	<u>388,230</u>
	313,580	388,230
Adjustment of current taxation in respect of prior years	<u>12,774</u>	<u>(11,492)</u>
	<u>326,354</u>	<u>376,738</u>

## Notes to accounts (continued)

### 9 Tangible fixed assets

The movement in the year was as follows:

	Land and buildings		Fixtures, fittings and equipment	Motor vehicles	Total
	Freehold	Leasehold improvements			
	£	£	£	£	£
<b>Cost</b>					
Beginning of year	1,508,651	103,395	850,939	454,828	2,917,813
Additions	-	132,153	471,416	210,634	814,203
Group transfers	(314,156)	-	(11,012)	-	(325,168)
Disposals	-	-	(140,990)	(179,179)	(320,169)
End of year	1,194,495	235,548	1,170,353	486,283	3,086,679
<b>Depreciation</b>					
Beginning of year	306,920	57,303	525,132	155,906	1,045,261
Charge	19,009	35,052	323,931	121,822	499,814
Group transfers	(314,156)	-	(11,012)	-	(325,168)
Disposals	-	-	(131,749)	(60,179)	(191,928)
End of year	11,773	92,355	706,302	217,549	1,027,979
<b>Net book value</b>					
Beginning of year	1,201,731	46,092	325,807	298,922	1,872,552
End of year	1,182,722	143,193	464,051	268,734	2,058,700
Leased assets included in the above:					
<b>Net book value</b>					
Beginning of year	-	-	69,325	211,065	280,390
End of year	-	-	48,175	108,278	276,202

Freehold land amounting to £331,360 (1997 - £331,360) has not been depreciated.

## Notes to accounts (continued)

### 10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Subsidiary undertakings	-	-	591,546	591,546
Quoted shares	-	86,915	-	86,915
	<u>-</u>	<u>86,915</u>	<u>591,546</u>	<u>678,461</u>

	Group		Company	
	Quoted shares £	Quoted shares £	Subsidiary undertakings £	Total £
<b>Cost</b>				
Beginning of year	500,000	500,000	593,687	1,093,687
Disposals	(500,000)	(500,000)	-	(500,000)
End of year	<u>-</u>	<u>-</u>	<u>593,687</u>	<u>593,687</u>
<b>Provision for permanent diminution in value</b>				
Beginning of year	413,085	413,085	2,141	415,226
Disposals	(413,085)	(413,085)	-	(413,085)
End of year	<u>-</u>	<u>-</u>	<u>2,141</u>	<u>2,141</u>
<b>Net book value</b>				
Beginning of year	<u>86,915</u>	<u>86,915</u>	<u>591,546</u>	<u>678,461</u>
End of year	<u>-</u>	<u>-</u>	<u>591,546</u>	<u>591,546</u>

The parent undertaking has investments at 31 December 1998 in the following principal subsidiary undertakings, which are registered in and operate primarily in England, and which have affected the profits or net assets of the group:

Name	Nature of Business	Ownership %
Hale Holdings (Cheshire) Limited	Property management	100
Transform Medical Group (CS) Limited	Cosmetic surgery and related procedures	100
Bio-Laboratories Limited	Supply of mail order products	90

(The shareholding in Bio-Laboratories Limited increased on 1 June 1998 from 75% to 90%, for £nil consideration).



## Notes to accounts (continued)

### 11 Debtors

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	240,742	6,592	-	-
Amounts owed by group undertakings	-	-	474,304	213,827
Amounts owed by related undertakings	-	72,121	-	-
Corporation tax recoverable	-	-	-	-
Advance corporation tax	62,500	-	62,500	-
Other debtors	327,225	13,199	-	-
Prepayments and accrued income	315,274	128,769	-	-
	<u>945,741</u>	<u>220,681</u>	<u>536,804</u>	<u>213,827</u>

### 12 Investments

	1998	1997
	£	£
Treasurers' deposit accounts	<u>1,300,000</u>	<u>1,470,000</u>

### 13 Creditors: Amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Obligations under hire purchase contracts (note 14)	88,161	227,653	-	-
Bank loans (note 14)	-	15,000	-	-
Trade creditors	1,177,797	524,216	-	-
Amounts owed to group undertakings	-	-	-	24,047
Other creditors				
- UK corporation tax payable	364,897	434,053	-	-
- ACT payable	62,500	-	62,500	-
- other taxes and social security	190,625	176,998	-	-
- other creditors	616,434	472,006	-	-
Accruals and deferred income	1,475,097	1,512,594	3,960	4,000
	<u>3,975,511</u>	<u>3,362,520</u>	<u>66,460</u>	<u>28,047</u>

## Notes to accounts (continued)

### 14 Creditors: Amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Obligations under hire purchase contracts	26,363	21,334	-	-
Bank loan	-	82,500	-	-
Other loan	459,000	459,000	459,000	459,000
	<u>485,363</u>	<u>562,834</u>	<u>459,000</u>	<u>459,000</u>

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
<i>Obligations under hire purchase contracts</i>				
Amounts payable				
- within one year	88,161	227,653	-	-
- between one and five years	26,363	21,334	-	-
	<u>114,524</u>	<u>248,987</u>	<u>-</u>	<u>-</u>

Obligations under hire purchase contracts are secured on the specific assets to which they relate.

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
<i>Bank loans</i>				
Amounts payable				
- on demand or within one year	-	15,000	-	-
- between one and two years	-	15,000	-	-
- between two and five years	-	45,000	-	-
- after five years	-	22,500	-	-
	<u>-</u>	<u>97,500</u>	<u>-</u>	<u>-</u>

#### *Other loan*

The other loan represents a loan from a director's personal pension plan. The loan is unsecured and must be repaid in full by 1 May 2009. There are no other specific repayment terms. All transactions between the company and the plan were on an arms length basis, with interest payable at commercial rates.

## Notes to accounts (continued)

### 15 Called-up share capital

	1998 £	1997 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 16 Reserves

	Share premium account £	Merger reserve £	Other reserve £	Profit and loss account £
<b>Group</b>				
Beginning of year	381,578	56	(299,687)	194,366
Retained profit for the year	-	-	-	280,849
End of year	<u>381,578</u>	<u>56</u>	<u>(299,687)</u>	<u>475,215</u>

The cumulative amount of goodwill arising from acquisitions which has been written off is £299,687 (1997 - £299,687).

	Share premium account £	Profit and loss account £
<b>Company</b>		
Beginning of year	381,578	26,465
Retained profit for the year	-	197,592
End of year	<u>381,578</u>	<u>224,057</u>

The profit for the financial year dealt with in the accounts of the parent undertaking was £447,592.  
(1997 - profit £282,500).

As provided by Section 230 of the Companies Act 1985, no profit and loss account is presented in respect of Transform Holdings Limited.

## Notes to accounts (continued)

### 17 Reconciliation of movements in group shareholders' funds

	1998 £	1997 £
Profit for the financial year	530,849	608,516
Dividends paid	(250,000)	(250,000)
	<hr/> 280,849	<hr/> 358,516
Goodwill on acquisitions of subsidiaries written off	-	(186,409)
Net addition to shareholders' funds	280,849	172,107
Opening shareholders' funds	276,413	104,306
Closing shareholders' funds	<hr/> 557,262	<hr/> 276,413

### 18 Cash flow information

#### *Reconciliation of operating profit to net cash inflow from operating activities*

	1998 £	1997 £
Operating profit	780,827	977,285
Profit on sale of subsidiary company	83,059	-
Refund of VAT	199,833	-
Loss on sale of Belfast Clinic	(157,468)	-
Write-down of goodwill on acquisition	(65,000)	-
Provision for permanent diminution of fixed asset investment	-	260,743
Depreciation charges	499,814	388,290
Loss on sale of tangible fixed assets	1,087	9,062
Increase in stocks	(398,305)	(34,622)
(Increase) decrease in debtors	(662,560)	39,257
Increase in creditors	821,058	397,636
<b>Net cash inflow from operating activities</b>	<hr/> 1,102,345	<hr/> 2,037,651

#### *Returns on investments and servicing of finance*

	1998 £	1997 £
Interest received	(118,929)	(83,708)
Interest paid	64,135	49,885
Interest element of hire purchase and finance lease repayments	25,450	28,172
<b>Net cash inflow</b>	<hr/> (29,344)	<hr/> (5,651)

#### *Taxation*

	1998 £	1997 £
U.K. corporation tax paid	<hr/> 395,510	<hr/> 206,891

## Notes to accounts (continued)

### 18 Cash flow information (continued)

#### *Capital expenditure and financial investment*

	1998 £	1997 £
Purchase of tangible fixed assets	814,203	378,095
Sale of tangible fixed assets	(127,154)	(76,731)
Sale of fixed asset investments	(7,000)	-
<b>Net cash outflow</b>	<b>680,049</b>	<b>301,364</b>

#### *Acquisitions and disposals*

	1998 £	1997 £
Purchase of subsidiary undertakings	-	6,200
Net cash at bank and in hand acquired with subsidiary undertakings	-	(69,048)
<b>Net cash inflow</b>	<b>-</b>	<b>(62,848)</b>

#### *Management of liquid resources*

	1998 £	1997 £
Movements in funds - treasurers' deposit accounts	(170,000)	1,120,000

#### *Financing*

	1998 £	1997 £
Repayment of secured loan due within one year	15,000	55,000
Repayment of secured loan due beyond one year	82,500	-
Capital element of hire purchase repayments	134,463	190,466
<b>Net cash outflow</b>	<b>231,963</b>	<b>245,466</b>

## Notes to accounts (continued)

### 19 Analysis and reconciliation of net funds

	1 January 1998 £	Cash flow £	31 December 1998 £
Cash in hand, at bank	362,955	(255,833)	107,122
Debt due after more than one year	(15,000)	15,000	-
Debt due within one year	(541,500)	82,500	(459,000)
Hire purchase and finance lease contracts	(248,987)	134,463	(114,524)
		231,963	
Current asset investment	1,470,000	(170,000)	1,300,000
Net funds	<u>1,027,468</u>	<u>(193,870)</u>	<u>833,598</u>

	1998 £	1997 £
Decrease in cash in the year	(255,833)	(17,571)
Cash outflow from decrease in debt and lease financing	231,963	245,466
Cash outflow from decrease in liquid resources	(170,000)	1,120,000
Change in net debt resulting from cash flows	(193,870)	1,347,895
Finance and hire purchase contracts acquired with subsidiaries	-	(21,360)
New hire purchase and finance lease contracts	-	(313,700)
Movement in net funds in year	(193,870)	1,012,835
Net funds at beginning of year	1,027,468	14,633
Net funds at end of year	<u>833,598</u>	<u>1,027,468</u>

## Notes to accounts (continued)

### 20 Financial commitment

#### *Lease commitments*

The group has entered into non-cancellable operating leases in respect of land and buildings and fixtures and equipment. The minimum annual rentals under these leases are as follows:

	1998		1997	
	Property £	Fixtures and equipment £	Property £	Fixtures and equipment £
<b>Group</b>				
Operating leases which expire				
- within one year	6,077	8,400	42,519	592
- between two and five years	360,796	960	137,270	18,000
- after five years	23,500	-	23,500	-
	<u>390,373</u>	<u>9,360</u>	<u>203,289</u>	<u>18,592</u>

### 21 Related party transactions

During the year Transform Medical Group (CS) Limited sold its investment in Advanced Cosmetic Surgery Limited (formerly Transform Medical (Ireland) Limited), a company registered in Ireland. The whole business transaction was made at a consideration of £440,000. At the year end the balance which remains outstanding is £191,865. This is to be repaid in full by March 2000. John Ryan owns 40% of the issued share capital of Advanced Cosmetic Surgery Limited.