

Corporación Dermoestética, S.A.

Financial Statements
for the Year Ended
31 December 2007 and
Directors' Report, together with
Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 20). In the event of a discrepancy, the Spanish-language version prevails.

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AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
Corporación Dermoestética, S.A.:

1. We have audited the financial statements of Corporación Dermoestética, S.A. comprising the balance sheet at 31 December 2007 and the related income statement and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the Company's directors present, in addition to the 2007 figures for each item in the balance sheet, income statement and statement of changes in financial position, the figures for 2006. Our opinion refers only to the 2007 financial statements. On 28 March 2007, we issued our auditors' report on the 2006 financial statements, in which we expressed an opinion qualified for a matter closely related to that described in paragraph 5 below.
3. Since the Company is the head of a group and meets certain requirements, it is obliged under current legislation to issue separate consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), on which we issued our auditors' report on 4 April 2008, in which we expressed an opinion qualified for a matter similar to that described in paragraph 5 below. Based on the content of the aforementioned consolidated financial statements, consolidated equity amounted to EUR 18,185 thousand, consolidated net loss for the year amounted to EUR 819 thousand, and total consolidated assets and sales amounted to EUR 102,746 thousand and EUR 86,468 thousand, respectively.
4. As detailed in Notes 1 and 18 to the accompanying financial statements, in February 2008 the Company entered into an agreement with 3i Group Plc. which entailed the sale of its 100% holding in the share capital of its subsidiary Ultralase Limited. The selling price established amounted to GBP 174.5 million (approximately EUR 235 million). In accordance with the estimates made by the Company, pre-tax gain arising from the disposal of its subsidiary will amount to approximately EUR 197 million and will be recognised in the income statement for 2008.
5. As indicated in Note 1 to the financial statements, the subsidiaries incorporated in Italy have incurred significant losses in recent years which have had a negative impact on the Company's results and its financial and equity position at 31 December 2007, as reflected in the accompanying financial statements. Considering this circumstance, and the funds obtained by the Group as a result of the sale of Ultralase Limited described in paragraph 4 above, the Company has redefined its international subsidiaries. In this context, on 9 March 2008, the Company's directors resolved to perform an orderly liquidation of its subsidiaries in Italy. Per the Company's directors' estimates,

the cost of liquidation not yet incurred at 31 December 2007 amounted to approximately EUR 8.6 million (see Note 18 to the financial statements). This cost will be recognised with charge to the income statement for 2008, since this is the year in which the liquidation plan was established and formally approved by the directors. However, the total cost that will ultimately arise for the Company from the aforementioned liquidation of its Italian subsidiaries will depend on the performance and evolution of the liquidation process.

6. In our opinion, except for the effects of any adjustment that might be required if the final outcome of the uncertainty described in paragraph 5 above were known, the accompanying financial statements for 2007 present fairly, in all material respects, the net worth and financial position of Corporación Dermoestética, S.A. at 31 December 2007 and the results of its operations and the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
7. The accompanying directors' report for 2007 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2007. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Luis Caruana

4 April 2008

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 20). In the event of a discrepancy, the Spanish-language version prevails.

CORPORACIÓN DERMOESTÉTICA, S.A.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

(Euros)

ASSETS	2007	2006	SHAREHOLDERS' EQUITY AND LIABILITIES	2007	2006
NON-CURRENT ASSETS:			SHAREHOLDERS' EQUITY (Note 11):		
Start-up costs (Note 5)	9.027.799	10.208.925	Share capital	3.989.158	3.989.158
Intangible assets (Note 6)	1.520.831	1.868.554	Share premium	12.401.257	12.401.257
Computer software	621.996	361.067	Reserves	8.295.974	10.379.651
Rights on leased assets	2.471.896	2.638.949	Legal reserve	107.752	107.752
Concessions, patents, trademarks and other	23.457	23.457	Reserve for treasury shares	284.052	52.908
Accumulated amortisation	(1.596.518)	(1.154.919)	Other reserves	7.904.170	10.218.991
Property, plant and equipment (Note 7)	3.091.303	3.309.058	Accumulated losses	(11.751.086)	(5.137.702)
Plant and machinery	14.639.746	14.058.457	Loss for the year	(7.857.873)	(6.613.384)
Other fixtures, tools and furniture	3.652.633	3.341.850		5.077.430	15.018.980
Other items of property, plant and equipment	826.625	688.480			
Accumulated depreciation	(16.027.701)	(14.779.729)	DEFERRED INCOME	28.446	37.858
Long-term investments (Note 8)	50.472.062	55.013.774			
Investments in Group companies	100.484.210	89.487.490	PROVISIONS FOR CONTINGENCIES AND CHARGES (Note 12)	5.276.845	6.833.681
Loans to Group companies	6.242.842	10.088.661			
Investments in jointly controlled entities	152.036	-			
Long-term investment securities	1.200.134	-			
Tax receivables	9.869.361	4.788.490	NON-CURRENT LIABILITIES:		
Deposits and guarantees given	632.409	608.392	Bank borrowings and other financial liabilities (Note 13)	26.457.370	32.088.466
Allowances	(68.108.930)	(49.959.259)	Deposits and guarantees received	93.316	75.082
Treasury shares (Note 9)	284.052	52.908	Other payables (Note 13)	1.546.556	1.086.035
Total non-current assets	64.396.047	70.453.219	Total non-current liabilities	28.097.242	33.249.583
DEFERRED CHARGES	63.570	120.860			
CURRENT ASSETS:			CURRENT LIABILITIES:		
Inventories (Note 10)	4.467.042	4.221.898	Bank borrowings and other financial liabilities (Note 13)	7.702.524	5.420.972
Accounts receivable	1.336.748	2.189.066	Trade payables	23.673.174	22.896.867
Sundry accounts receivable	876.637	1.337.803	Customer advances (Note 4-k)	16.291.342	17.189.701
Tax receivables (Note 14)	460.111	851.263	Payable to suppliers and other payables	7.381.832	5.707.166
Short-term investments (Note 8)	353.806	5.086.370	Other payables (Note 13)	2.203.877	2.805.985
Cash	1.245.918	4.006.100	Total current liabilities	33.579.575	31.123.824
Accrual accounts	196.407	186.413			
Total current assets	7.599.921	15.689.847	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	72.059.538	86.263.926
TOTAL ASSETS	72.059.538	86.263.926			

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 31 December 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 20). In the event of a discrepancy, the Spanish-language version prevails.

CORPORACIÓN DERMOESTÉTICA, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Euros)

DEBIT	2007	2006	CREDIT	2007	2006
EXPENSES:			INCOME:		
Procurements (Note 16)	20.391.063	17.715.359	Revenue (Note 16)	80.172.763	80.248.037
Staff costs (Note 16)	18.024.333	17.147.393	Other operating income (Note 16)	1.902.670	1.911.744
Depreciation and amortisation charge	5.013.419	4.983.063			
Other operating expenses (Note 16)	32.195.650	28.665.059			
Profit from operations	6.450.968	13.648.907	Loss from operations	-	-
Finance and similar costs	1.796.325	1.356.232	Income from equity investments (Note 8)	1.389.661	-
Change in investment valuation allowances (Note 8)	5.380.277	-	Other interest and similar income (Note 16)	587.903	998.562
Financial profit	-	-	Financial loss	5.199.038	357.670
Profit from ordinary activities	1.251.930	13.291.237	Loss on ordinary activities	-	-
Change in control portfolio allowances (Note 8)	12.769.394	19.199.034			
Change in allowances for treasury shares (Note 9)	500.843	66.890	Gains on property, plant and equipment disposals	10.093	-
Extraordinary expenses	144.071	2.167.789	Extraordinary income	27.996	46.094
Extraordinary profit	-	-	Extraordinary loss	13.376.219	21.387.619
Profit before tax	-	-	Loss before tax	12.124.289	8.096.382
Income tax (Note 14)	(4.266.416)	(1.482.998)			
Profit for the year	-	-	Loss for the year	7.857.873	6.613.384

The accompanying Notes 1 to 20 are an integral part of the income statement at 31 December 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 20). In the event of a discrepancy, the Spanish-language version prevails.

Corporación Dermoestética, S.A.

Notes to the Financial Statements for the Year Ended 31 December 2007

1. Company description

Corporación Dermoestética, S.A. ("the Company") was incorporated in Valencia on 25 January 1979, by public deed. The Company's registered office is at calle Pizarro 11-13, Valencia. The Company is the head of the Corporación Dermoestética Group, which is composed of various subsidiaries as detailed in Note 8.

The Company's corporate object, per its bylaws, is as follows:

- The performance of activities relating to aesthetic medicine, to cosmetic, plastic and reconstructive surgery, and to nutrition, dietetics and odontology.
- The operation of centres for the aforementioned activities and of hospitals providing all manner of medical and surgical services.
- The operation of clinical laboratories, the marketing and sale of all manner of prostheses and the manufacture, marketing and sale of cosmetics.

Since 1979, the Corporación Dermoestética Group has established a network of clinics throughout Spain and initiated its expansion in Portugal, Italy and the United Kingdom, and will foreseeably open a new clinic in Mexico in 2008. The Group has progressively been incorporating innovative and effective treatments and products which have enabled it to provide top-quality service and shape an aesthetic medicine concept and a brand for which the Group has gained market recognition.

- In 2007 the Company had 54 centres in operation in Spain and Portugal, after opening 2 new clinics during the year. The Company's activities in these countries mainly consist of the provision of aesthetic medicine, aesthetic surgery, odontology and nutrition, in addition to the sale of cosmetic products. Activities in Portugal are performed through a branch of the Company.
- In 2005 the Company acquired 100% of the British company Ultralase Limited, a company specialised in providing ophthalmological treatment through its 17 clinics in the United Kingdom. As indicated in Note 8, the Group's operations in the United Kingdom through Ultralase Limited generated a significant volume of profit in 2007.

On 27 December 2007, the Company's Board of Directors accepted the binding offer presented by 3i Europe Plc. through its branch in Spain, acting as adviser to and on behalf of 3i Group Plc. and of the funds managed by it, to acquire all the share capital of Ultralase Limited for GBP 174.5 million (EUR 235 million). This offer was conditional on the completion of the legal, tax, financial and labour due diligence reviews to 3i Europe Plc.'s satisfaction and on a satisfactory agreement being reached on the legal documentation for the execution of the transaction. This process was completed in the first few months of 2008 with the sale of the aforementioned shareholding on 14 February 2008 (see Note 18).

- Similarly, in 2005 in the United Kingdom, the Company developed a network of clinics to provide medical and aesthetic surgery services, through the subsidiary Ultralase Medical Aesthetics Limited. In 2006 the Company approved certain measures aimed at curbing the expansion and activity of Ultralase Medical Aesthetics Limited. These measures were mainly aimed at staff redundancies and on the closure of certain centres which failed to meet the projected activity or profitability targets, and at focusing operations on fewer centres. In 2007, as part of the Group's global strategy in the United Kingdom, the business activity of Ultralase

Medical Aesthetics Limited was practically non-existent. Accordingly, the Company negotiated the sale of Ultralase Medical Aesthetics Limited to a third party. The process was completed on 28 March 2008 (see Note 18).

- The Company has subsidiaries in Italy through which it developed, in previous years, a network of clinics specialised in the provision of aesthetic medicine and surgical services. All of these clinics started providing services at the end of 2005. From the commencement of operations, the revenues from these Italian subsidiaries have been low and have not met the Group's initial expectations. These subsidiaries have incurred ongoing losses since the commencement of operations amounting to EUR 11,373 thousand in 2007, which had a material impact on the results, and financial and equity position of the Company and the Group as a whole. In this connection, in 2006 the Company's Board of Directors approved a "Restructuring Plan" for its Italian subsidiaries, which was mainly focused on staff redundancies and the closure of certain centres which failed to meet the projected activity or profitability targets, and on concentrating operations at fewer centres. The Restructuring Plan was completed in full in the first half of 2007, and the targets set in relation to the closure of clinics and the reduction of operating costs were achieved. However, in 2007, the Italian subsidiaries' business volume did not reach the level expected in the budgets prepared by Group management, so much so that the losses incurred exceeded the initial estimates. The budgets prepared by the directors for 2008 envisage that the Italian subsidiaries will incur further significant material losses. Accordingly, on 9 March 2008, the Company's Board of Directors resolved to liquidate its Italian subsidiaries (see Note 18).

In the Company's business model, as is the case for most medical services paid for privately, medical treatments are paid for by customers before they are provided and are taken to income when they are actually provided. Accordingly, the Company's balance sheet includes recurring material balances relating to collections for treatment which will take place subsequent to the related year-end under "Trade Payables - Advances Received from Customers" (EUR 16,291 thousand at 31 December 2007). Although this item does not relate to amounts that might be claimable from the Company at short term, it is shown as part of the current liabilities in the Company's balance sheet, and the Company therefore presented a working capital deficiency of EUR 25,980 thousand at the balance-sheet date.

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Consequently, these notes to the financial statements do not contain any specific disclosures relating to information on environmental issues.

Merger in prior years

In 2000 Clínica Suver, S.A. and Centro Español de Dermatología Capilar, S.A. (the absorbed companies) were merged into Corporación Dermoestética, S.A. (the absorbing company). All the disclosures relating to this merger required under Article 107 of Corporation Tax Law 43/1995, of 27 December, were included in the notes to the 2000 financial statements of Corporación Dermoestética, S.A. As a result of this merger, Corporación Dermoestética, S.A. acquired, by universal succession the assets and liabilities of the absorbed companies, which were measured at the post-merger company at the values at which they had been reflected in the books of the transferor companies.

2. Basis of presentation

a) Fair presentation

The accompanying 2007 financial statements, which were prepared from the Company's accounting records, are presented in accordance with current corporate legislation and with the Spanish National Chart of Accounts as adapted for healthcare companies and, accordingly, they present fairly the Company's net worth, financial position and results of operations. These financial statements, which were prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

All mandatory accounting principles with a significant effect on the financial statements were applied in their preparation.

b) Issues arising from the transition to the new Spanish National Chart of Account

Royal Decree 1514/2007 was published on 20 November 2007. This Royal Decree approved the new Spanish National Chart of Accounts that came into force on 1 January 2008, which must be applied for all periods beginning on or after that date.

Under the aforementioned Royal Decree, the first financial statements prepared in accordance with the rules contained therein will be considered to be initial financial statements and, accordingly, they will not include comparative figures for the previous period; however, comparative figures for the preceding period may be presented provided that they are adapted to the new Chart of Accounts. Also, the Chart of Accounts contains several transitional provisions which afford various options in the first-time application of the new accounting standards and provide for the voluntary adoption of certain exceptions in the first-time application process.

The Company is implementing a transition plan with a view to adapting to the new accounting standards which includes, inter alia, analysing the differences in accounting rules and standards, determining whether or not comparative figures adapted to the new standards will be presented and, consequently, the date of the opening balance sheet, selecting the accounting rules and standards to be applied in the transition and assessing the changes that have to be made to the information systems and procedures. At the date of formal preparation of these financial statements the aforementioned plan was still at the implementation phase.

3. Allocation of loss

The proposed allocation of 2007 loss that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is that loss for the year be appropriated in full to "Accumulated Losses".

4. Accounting policies

The main accounting policies applied by the Company in preparing its financial statements for 2007, in accordance with the Spanish National Chart of Accounts as adapted for healthcare companies, were as follows:

a) Start-up costs

Start-up costs, which include mainly costs incurred in the refurbishment of properties leased by the Company, are recorded at cost. These costs are amortised on a straight-line basis over five years (which in no case exceeds the related lease contract term) from the commencement of commercial operations in the related properties.

These refurbishment expenses relate basically to investments in fixtures which are permanently added to the leased properties, and to certain expenses required to prepare the properties which were incurred before they came into service.

b) Intangible assets

“Computer Software” includes the amounts paid for the acquisition of title to or the right to use computer programmes. The software maintenance costs are expensed currently. These intangible assets are amortised on a straight-line basis over three years from the date on which the application starts to be used.

Assets held under finance leases are recognised as intangible assets at the cost of the related assets, and the total debt for lease payments plus the amount of the purchase option are recognised as a liability. The difference between the two amounts, which represents the finance cost on the transaction, is classified as a deferred charge and is allocated to profit or loss each year on a time proportion basis. These assets are amortised on straight-line basis over the years of useful life of the related assets, which are similar to those used to depreciate similar items of property, plant and equipment.

“Concessions, Patents, Trademarks and Similar Intellectual Property” is charged for the amounts paid for the acquisition of the right to use the “Corporación Dermoestética” trademark and its various manifestations in different countries, which are duly registered by the Group. No other additional amount was registered, as this asset was generated internally. It is amortised on a straight-line basis over a maximum period of ten years. The maintenance costs of the trademark are recognised with a charge to the profit or loss for the year in which they are incurred, the amount of which is not material.

c) Property, plant and equipment

Property, plant and equipment are carried at cost.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based mainly on the following years of estimated useful life:

	Years of Estimated Useful Life
Machinery	5
Tools and instruments	5
Furniture	6-10
Computer hardware	4

Period upkeep and maintenance expenses are expensed currently. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

d) Long- and short-term investments

The Company recognises its long- and short-term investments as follows:

1. Investments in the share capital of Group companies are recognised at the lower of acquisition cost or underlying carrying amount of the investments, adjusted by the amount of the unrealised gains disclosed at the time of acquisition and still existing at the date of subsequent measurement.
2. Units in money market mutual funds (“FIAMM”) are valued at market value (net asset value at year-end). Unrealised gains at year-end are recognised under “Other Interest and Similar Income” in the 2007 income statement.
3. Time deposits are measured at the initial amount. Also, the Company records accrued interest receivable at year-end.

4. Long-term loans, deposits and guarantees relate mainly to the rent for the properties in which the Company carries on its business activities and are recognised at the effective amount delivered. No recovery problems are anticipated.

Any unrealised losses disclosed by comparing cost and market value or fair value at year-end are recognised under “Long-Term Investment – Allowances” in the case of long-term investments or net of the short-term investments if they mature in the short-term.

The accompanying financial statements do not reflect the increase or decrease in the value of the investments in subsidiaries which would result from applying consolidation principles. However, the Company’s Board of Directors formally prepared separate consolidated financial statements for 2007 in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union. In accordance with the content of the aforementioned consolidated financial statements prepared in accordance with EU-IFRSs, consolidated equity amounted to EUR 18,185 thousand, consolidated loss for the year was EUR 819 thousand and total consolidated assets and consolidated sales were EUR 102,746 thousand and EUR 86,468 thousand, respectively. The aforementioned consolidated financial statements for 2007 included, according to the consolidation method applicable in each case, all the companies belonging to the Group pursuant to the provisions of Article 42 of the Spanish Commercial Code.

e) Treasury shares

Treasury shares are measured at the lower of cost, comprising the total amount paid for acquisition plus the related expenses, and the lowest of the following three amounts: year-end market price, average market price in the last quarter or the underlying carrying amount of the shares (obtained from the individual financial statements of the Group) by recognising the related allowance for the decline in value of treasury shares.

In the cases in which the underlying carrying amount is the lowest value and, therefore, the parameter to be taken into account for estimating the valuation adjustment, the amount of the related allowance can be broken down into two parts: the market effect (the difference between the cost value and the lower of the market price at year-end and the average market price in the last quarter), which would be allocated to the income statement, and the effect arising from the possible capital reduction (remaining amount of the provision), which would be allocated to reserves.

f) Inventories

Specific medicines, clothing and consumables and replacement parts, mainly the replacement parts for the specific machinery the Company uses to provide its treatment, are measured at the lower of cost per the most recent purchase invoice, or market. Due to the high turnover of these products, the resulting cost does not differ significantly from FIFO cost.

Obsolete, defective or slow-moving inventories have been reduced to realisable value.

g) Provisions for contingencies and charges

The provisions for contingencies and charges relate to the estimated amount required for liabilities or obligations arising in the normal course of the Company’s activity, both those individually identified and those estimated on the basis of the situations that might arise based on historical experience accumulated to date and accepted statistical methods. These provisions are recorded with a charge to “Other Operating Expenses”.

In addition, the Company records provisions, on the basis of reasonable estimates, for other probable or certain liabilities, of any class or nature, arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount, and collateral and other similar guarantees provided by the Company, when the liability or obligation giving rise to the indemnity or payment arises.

h) Debts

Debts are measured at face value, and the difference between the face value and the amount received is recognised on the asset side of the balance sheet as deferred interest expenses, which are charged to period income on a time proportion basis.

Debts maturing in under 12 months are classified as current liabilities and those maturing at over 12 months as non-current liabilities.

i) Income tax

The expense for income tax of each year is calculated on the basis of accounting profit before tax, increased or decreased, as appropriate, by the permanent differences from taxable profit or loss, net of tax relief and tax credits, excluding tax withholdings and pre-payments.

j) Foreign currency transactions

Transactions denominated in foreign currencies are recognised at their equivalent euro value, using the exchange rates prevailing at the transaction date. Exchange gains or losses arising on the cancellation of foreign currency transactions are recognised in the income statement when they arise.

Receivables and payables denominated in foreign currencies are translated to euros at the year-end exchange rates. Unrealised net exchange losses for currency groups with similar maturities and market performance are expensed currently and unrealised net exchange gains determined for the same groups are deferred until they are realised.

Long-term investments whose acquisition price was denominated in foreign currencies were translated to euros at the exchange rates prevailing at the acquisition date. This value is maintained for so long as it does not exceed the value that would result from applying the year-end exchange rates to the market values of the related investments, in which case a provision is recorded for the difference.

k) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principle of prudence, the Company only recognises realised profit at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known.

The Company makes collections for all types of treatment when they are arranged. These treatments are recognised as revenue in the income statement on an accrual basis, based on the treatment sessions that have actually taken place. Collections for treatment relating to sessions taking place subsequent to year-end are included under "Advances Received from Customers" on the liability side of the balance sheet.

Also, the Company recognises the fees actually accrued on the basis of the sessions that have taken place as expenses. Payments of fees relating to sessions that will take place subsequent to year-end are included under "Sundry Receivables" on the asset side of the balance sheet.

l) Termination benefits

Under current labour legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. The accompanying financial statements do not include any provisions in this connection since the directors consider that no terminations are planned making it necessary to record a provision in this connection.

5. Start-up costs

The changes in 2007 in the balance of "Start-up Costs" were as follows:

	Euros
Beginning balance	10,208,925
Additions	2,055,615
Amortisation	(3,236,741)
Ending balance	9,027,799

Approximately 80% of the year-end balance relates to investments made to improve and properly adapt leased properties to the Company's activities. This balance does not include a significant portion of similar investments made in prior years in certain properties that are currently in use, since these investments are now fully amortised, although the lease contracts of these properties are still in force.

At 31 December 2007 the Company did not have any material investment commitments to be made at its clinics.

The Company carries on its business activities in leased properties. The total lease expense accrued in 2007 amounted to EUR 4,298 thousand and is recognised under "Leases and Royalties" in the accompanying 2007 income statement (see Note 16). EUR 1,919 thousand of the aforementioned amount relate to the lease of properties owned by one of the Company's directors. The Company has arranged lease contracts for an average term of ten years, without any additional significant features.

At 31 December 2007, the Company had long-term investments outside Spain (Portugal) relating to start-up costs with a net carrying amount of EUR 560 thousand.

The Company takes out insurance policies to cover, at cost, all the items included in "Start-up Costs" relating to the renovation of leased properties currently in use.

6. Intangible assets

The changes in 2007 in intangible asset accounts and in the related accumulated amortisation were as follows:

	Euros			
	Beginning Balance	Additions or Provisions	Transfers (Note 7)	Ending Balance
Cost:				
Computer software	361,067	260,929	-	621,996
Rights on leased assets	2,638,949	-	(167,053)	2,471,896
Concessions, patents and trademarks	23,457	-	-	23,457
Total cost	3,023,473	260,929	(167,053)	3,117,349
Accumulated amortisation:				
Computer software	(277,029)	(72,904)	-	(349,933)
Rights on leased assets	(871,042)	(497,743)	133,751	(1,235,034)
Concessions, patents and trademarks	(6,848)	(4,703)	-	(11,551)
Total accumulated amortisation	(1,154,919)	(575,350)	133,751	(1,596,518)
Intangible assets, net	1,868,554			1,520,831

The carrying amount of the Company's fully amortised intangible assets at 31 December 2007 is not material.

Following is detailed information, in euros, on the finance leases in force at 31 December 2007:

	Lease Term (Years)	Years Elapsed	Euros				Value of Purchase Option
			Original Cost	Lease Payments Paid in Prior Years	Lease Payments Paid in the Year	Lease Payments Outstanding (Note 13)	
Machinery	4	4	330,560	238,528	86,768	28,584	7,120
Machinery	4	3	222,600	146,178	58,718	33,822	4,798
Machinery	5	3	152,836	92,086	26,338	44,806	2,683
Machinery	4	3	115,500	63,432	30,714	30,239	2,492
Machinery	4	3	245,000	113,685	65,608	91,327	5,282
Machinery	4	3	155,400	83,472	37,871	47,422	3,341
Machinery	5	2	1,250,000	268,117	280,366	841,184	22,343
Total			2,471,896	1,005,498	586,383	1,117,384	48,059

7. Property, plant and equipment

The changes in 2007 in "Property, Plant and Equipment" and in the related accumulated depreciation were as follows:

	Euros				
	Beginning Balance	Additions or Provisions	Transfers (Note 6)	Retirements	Ending Balance
Cost:					
Plant and machinery	14,058,457	502,704	167,053	(88,468)	14,639,746
Other fixtures, tools and furniture	3,341,850	310,783	-	-	3,652,633
Other items of property, plant and equipment	688,480	138,145	-	-	826,625
Total cost	18,088,787	951,632	167,053	(88,468)	19,119,004
Accumulated depreciation:					
Plant and machinery	(12,348,269)	(792,432)	(133,751)	87,107	(13,187,345)
Other fixtures, tools and furniture	(1,965,544)	(305,325)	-	-	(2,270,869)
Other items of property, plant and equipment	(465,916)	(103,571)	-	-	(569,487)
Total accumulated depreciation	(14,779,729)	(1,201,328)	(133,751)	87,107	(16,027,701)
Property, plant and equipment, net	3,309,058				3,091,303

The Company carries on its business activities in leased properties (see Note 5).

Of the Company's property, plant and equipment at 31 December 2007, items with a cost and accumulated depreciation of EUR 13,207 thousand had been fully depreciated.

At 31 December 2007, permanent investments relating to property, plant and equipment located outside Spain (Portugal) were not material.

8. Investments

The changes in 2007 in non-current investments were as follows:

	Euros			
	Beginning Balance	Additions or Provisions	Transfers	Ending Balance
Investments in Group companies	89,487,490	1,720	10,995,000	100,484,210
Loans to Group companies	10,088,661	7,149,181	(10,995,000)	6,242,842
Investments in jointly controlled entities	-	152,036	-	152,036
Long-term investment securities	-	1,200,134	-	1,200,134
Tax receivables (Note 14)	4,788,490	5,080,871	-	9,869,361
Deposits and guarantees given	608,392	24,017	-	632,409
Allowances for investments in Group companies	(49,959,259)	(12,593,171)	-	(62,552,430)
Allowances for loans to Group companies	-	(5,439,902)	-	(5,439,902)
Allowances for investments in associates	-	(49,811)	-	(49,811)
Allowances for investment securities	-	(66,787)	-	(66,787)
Total	55,013,774			50,472,062

The relevant information on the individual situation of the Group companies and jointly controlled entities, all of which are unlisted and whose company object and main activity consists of providing aesthetic, medical-aesthetic and/or ophthalmological services, and related services, at 31 December 2007, is as follows:

Company	Location	Percentage of Ownership		Euros				
				Carrying Amount		Net Worth		
						Capital	Reserves	Profit (Loss) for the Year
Direct	Indirect	Cost	Allowance					
Corporación Dermoestética, S.r.L. Subgroup								
Corporación Dermoestética, S.r.L. (a)	Turin (Italy)	99.90%	-	40,851,990	(40,834,545)	10,000	8,136,734	(8,131,049)
Alta Estética, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	479,426	(473,681)
Belle Epoque, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	1,447,646	(1,449,206)
Obiettivo Uno, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	11,000	1,848	(33,170)
Belmed, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	11,000	41,631	(24,628)
Istituto Cosmética Avanzata, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	2,219,313	(2,219,768)
Studio Estética e Benessere, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	1,634,625	(1,641,151)
Dermo Salud, S.r.L. Subgroup								
Dermo Salud, S.r.L. (a)	Turin (Italy)	99.90%	-	15,774,990	(15,765,307)	10,000	3,237,631	(3,241,796)
Società Italiana di Medicina e Chirurgia, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	50,000	1,795,173	(1,835,085)
Cliniche Futura, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	459,053	(462,297)
Istituto Médico Laser, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	117,244	(65,681)
Medical International Center, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	41,835	(34,982)
Medicalia, S.r.L. (a)	Turin (Italy)	-	99.80%	-	-	10,000	49,147	(105,998)
Ultralase Medical Aesthetics, Ltd. (a) (Note 18)	Leeds (UK)	100.00%	-	6,440,963	(5,916,820)	8,798,249	(6,894,827)	(1,380,209)
Utralase, Ltd. Subgroup (b) (Note 18)	Leeds (UK)	100.00%	-	37,354,546	-	4,815	10,744,683	6,094,489
Obesidad y Genética, S.L. (a)	Valencia (Spain)	100.00%	-	60,000	(34,037)	60,000	-	(34,037)
Corporación Dermoestética, S.A. de C.V. (a)	Mexico City (Mexico)	51%	-	1,721	(1,721)	3,374	-	(86,244)
Cosmética Estética Avanzada, S.L. (a) (c)	Barcelona (Spain)	50%	-	152,036	(49,811)	303,200	-	(98,750)
				100,636,246	(62,602,241)			

(a) Information obtained from unaudited financial statements for 2007 which were not audited because it was not mandatory.

(b) Information obtained from 2007 financial statements audited by Deloitte & Touche LLP.

(c) Jointly controlled entity.

In 2007 the Company's shareholders made contributions of EUR 7,920 thousand to Corporación Dermoestética, S.r.L., EUR 3,075 thousand to Dermo Salud, S.r.L. mainly to offset the losses incurred in the year by these subsidiaries (see Note 1). These contributions were recognised as an addition to the investments in Corporación Dermoestética, S.r.L. and Dermo Salud, S.r.L., respectively.

In relation to the Company's ownership interest in the share capital of Cosmética Estética Avanzada, S.L., pursuant to a joint venture agreement entered into with this company's other shareholder, Antonio Puig, S.A., the Company undertook to provide EUR 1,850 thousand of financing to Cosmética Estética Avanzada, S.L. in the first few months of 2008 in the form of a participating loan.

The balance of "Income from Equity Investments" in the accompanying 2007 income statement relates to the dividends of EUR 1,390 thousand received on its ownership interest in Ultralase Limited.

"Loans to Group Companies" relates to the finance granted by the Company to its various subsidiaries. These balances, which are expected to be recovered in over a year, accrued an average interest rate of 4.94% in 2007. The detail of the amounts drawn down at 31 December 2007 with respect to these loans is as follows:

	Euros	
	Cost	Allowance
Società Italiana di Medicina e Chirurgia, S.r.L.	2,951,581	(2,951,581)
Dermo Salud, S.r.L.	1,245,195	(1,245,195)
Corporación Dermoestética, S.r.L.	1,163,974	(1,163,974)
Obesidad y Genética, S.L.	468,240	-
Ultralase, Ltd.	245,776	-
Corporación Dermoestética, S.A. de C.V.	148,549	(59,625)
Ultralase Medical Aesthetics, Ltd.	19,527	(19,527)
	6,242,842	5,439,902

At 31 December 2007, the Company recognised an allowance with a charge to "Change in Investment Valuation Allowances" in the accompanying income statement for 2007 for all the loans granted to its Italian subsidiaries amounting to EUR 5,361 thousand, considering them to be of doubtful recovery as a consequence of the resolution to liquidate the Italian subsidiaries adopted after the balance sheet date (see Note 18).

The balance of "Long-term Investment Securities" relates to an investment of 10% of the share capital of Adquiera Servicios Financieros EFC, S.A., which was acquired in 2007 from a related company for EUR 600 thousand, an amount equal to its underlying carrying amount at the transaction date. Subsequently, the Company subscribed and paid an additional EUR 600 thousand in a capital increase performed by this investee, which is at the start-up phase of its business activity and incurred losses, as envisaged in its business plan, which foresees the generation of profits at medium term. As a result of these losses, the Company recognised an allowance of EUR 67 thousand with a charge to the 2007 income statement.

Also, as a result of the losses incurred in 2007 by certain investees, the Company recognised allowances totalling EUR 12,769 thousand with a charge to "Change in Control Portfolio Allowances" in the accompanying income statement for 2007 the detail of which is as follows:

	Euros
Corporación Dermoestética, S.r.L.	8,122,575
Derma Salud, S.r.L.	3,241,795
Ultralase Medical Aesthetics, Ltd.	1,193,043
Obesidad y Genética, S.L.	34,037
Corporación Dermoestética, S.A. de C.V.	61,346
Cosmética Estética Avanzada, S.L.	49,811
Adquiera SV Financieros, EFC, S.A.	66,787
	12,769,394

The changes in 2007 in the various items comprising "Short-term Investments" were as follows:

	Euros			
	Beginning Balance	Additions	Repayments or Retirements	Ending Balance
Short-term time deposits	5,068,708	2,150,000	(6,864,902)	353,806
Accrued interest receivable	17,662	-	(17,662)	-
	5,086,370			353,806

The average rate of return on the short-term investments held by the Company in 2007 was approximately 3.50%.

9. Treasury shares

"Treasury Shares" on the asset side of the accompanying balance sheet relates to the net carrying amount of 404,957 treasury shares of EUR 0.10 par value each, acquired at an average price of EUR 8.73. In calculating the Company's net equity, this amount should be considered a reduction in equity.

The detail of the transactions with treasury shares in 2007 is as follows:

	Number of Shares	Euros		% of Capital
		Amount	Provisions	
Balance at 1 January 2007	81,392	720,404	(667,496)	0.2
Additions	323,565	2,815,664	(2,584,520)	0.82
Balance at 31 December 2007	404,957	3,536,068	(3,252,016)	1.02

The acquisitions of treasury shares during the year were carried out pursuant to the resolutions of the shareholders at the Annual General Meeting held on 19 May 2007 and of the Board of Directors meeting held on 5 July 2007, where no particular use was assigned for such shares.

At 31 December 2007, the Company recorded a provision of EUR 3,252 thousand for the balance of the aforementioned shares by comparing them with the underlying carrying amount. Considering the provision had recognised by the Company at 31 December 2006 in this connection and the market value of the shares, the measurement of treasury shares at year-end gave rise to the recognition of an expense of EUR 501 thousand with a charge to "Change in Allowances for Treasury Shares" in the accompanying 2007 income statement, and a charge to reserves of EUR 2,084 thousand (see Note 11).

10. Inventories

The detail of the Company's inventories at 31 December 2007 is as follows:

	Euros
Clinical instruments and small tools	1,506,217
Consumables and replacement parts	2,884,620
Other supplies	76,205
	4,467,042

The Company takes out insurance policies with third parties to cover the possible risks to which its inventories are subject. The policies arranged by the Company covered almost all the acquisition cost of the Company's inventories at year-end.

11. Shareholders' equity

The changes in equity accounts in 2007 were as follows:

	Euros						
	Share Capital	Share Premium	Legal Reserve	Reserve for Treasury Shares	Other Reserves	Prior Years' Losses	Loss for the Year
Balance at 31 December 2006	3,989,158	12,401,257	107,752	52,908	10,218,991	(5,137,702)	(6,613,384)
Allocation of 2006 loss	-	-	-	-	-	(6,613,384)	6,613,384
Allowance for treasury shares (Note 9)	-	-	-	-	(2,083,677)	-	-
Transfer to reserves for treasury shares (Note 9)	-	-	-	231,144	(231,144)	-	-
2007 loss	-	-	-	-	-	-	(7,857,873)
Balance at 31 December 2007	3,989,158	12,401,257	107,752	284,052	7,904,170	(11,751,086)	(7,857,873)

Share capital

At 31 December 2007 the Company's share capital was represented by 39,891,580 fully subscribed and paid shares of EUR 0.10 par value each. All the Company's shares are negotiated on the stock exchanges of Madrid, Valencia, Barcelona and Bilbao and on the continuous market.

Share premium

The Consolidated Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

Legal reserve

Under the Consolidated Companies Law, 10% of the profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserve for treasury shares

In accordance with Article 79.3 of the Consolidated Companies Law, this reserve is created for the acquisition of treasury shares and is restricted until they are redeemed or sold.

Other reserves

Until the balance of "Start-Up Costs" has been fully amortised, no profit distribution may be made, unless unrestricted reserves are at least equal to the unamortised balances, which at 31 December 2007 amounted to EUR 9,028 thousand (see Note 5).

12. Provisions for contingencies and charges

The changes in provisions for contingencies and charges in 2007 were as follows:

	Euros
Beginning balance	6,833,681
Additions (Notes 16)	526,917
Amounts used	(2,083,753)
Saldo final	5,276,845

The balance of "Provisions for Contingencies and Charges" includes provisions for tax matters of EUR 1,702 thousand (see Note 14) and provisions for other liabilities arising from litigation in progress, indemnity payments and outstanding obligations of undetermined amount to be paid by the Company. Almost all of the amounts used in the foregoing table relate to certain tax assessments issued to the Company in 2006 which were paid and appeal against in 2007 (see Note 14).

13. Non-trade payables

The detail, by due date, of the current and non-current payables to credit institutions recognised on the liability side of the accompanying balance sheet at 31 December 2007 is as follows:

	Euros					
	2008	2009	2010	2011	2012	Total
Loans	7,203,064	7,408,507	6,800,750	6,615,039	5,015,150	33,042,510
Lease payments payable (Note 6)	499,460	325,673	292,251	-	-	1,117,384
Total	7,702,524	7,734,180	7,093,001	6,615,039	5,015,150	34,159,894

The Company has the following loans:

- Loans of EUR 31,042 thousand obtained in prior years to finance the acquisition of Ultralase Limited. The loans have no in rem guarantees or covenants of a financial or other nature except for a loan of EUR 6 million maturing in 2012 which includes a clause relating to the fulfilment of certain financial ratios. Failure to achieve these ratios would lead to the automatic repayment of the outstanding principal of the loan. In the directors' opinion, at 31 December 2007 the Company was achieving all the above-mentioned ratios.
- Loan of EUR 2,000 thousand entered into in 2007 with final maturity in 2012.

The average interest rate on the non-current payables to credit institutions was approximately 4.76% in 2007.

The detail of “Current Liabilities – Other Non-trade Payables” and “Non-Current Liabilities – Other Non-trade Payables” in the accompanying balance sheet at 31 December 2007 is as follows:

	Euros	
	Short Term	Long Term
Tax payables (Note 14)	698,188	1,392,391
Remuneration payable	1,082,307	-
Suppliers of property, plant and equipment	343,504	-
Other payables	79,878	154,165
	2,203,877	1,546,556

14. Tax matters

The detail of the balances of tax receivables and tax payables at 31 December 2007 is as follows:

	Euros			
	Receivable		Payable	
	Short Term	Long Term (Note 8)	Short Term (Note 13)	Long Term (Note 13)
Tax receivable/payable:				
VAT	370,688	-	25,977	-
Personal income tax withholdings	-	-	294,118	-
Tax loss carryforwards	-	8,255,278	-	-
Deferred tax asset	-	1,614,083	-	-
Income tax receivable	89,423	-	-	-
Deferred income tax	-	-	-	1,392,391
Accrued social security taxes payable	-	-	378,093	-
	460,111	9,869,361	698,188	1,392,391

Income tax is calculated on the basis of accounting profit determined by application of generally accepted accounting principles, which does not necessarily coincide with taxable profit.

The reconciliation of 2007 accounting loss to the tax loss for income tax purposes is as follows:

	Euros		
	Increase	Decrease	Amount
Accounting loss before tax			(12,124,289)
Permanent differences:			
Exemption of non-resident dividends (Note 8)	-	(1,389,661)	(1,389,661)
Other	728,379	(815,597)	(87,218)
Temporary differences:			
Tax amortisation of goodwill	-	(1,673,027)	(1,673,027)
Period provision for loans to Group companies	5,380,277	-	5,380,277
Finance leases	197,657	(59,698)	137,959
Tax loss			(9,755,959)

Under current legislation, the tax loss of a given year can be carried forward for offset against the taxable profit of the following fifteen years. However, the amount ultimately qualifying for carryforward might be modified as a result of review by the tax inspection authorities of the years in which the losses were incurred. The Company has the following tax loss carryforwards available for offset:

	Euros
2005	8,592,954
2006	9,168,680
2007	9,755,959
	27,517,593

The related tax asset was recognised under “Tax Receivables - Tax Loss Carryforwards” in the “Long-Term Investments” section of the balance sheet. The Company’s directors consider that this tax asset will be recovered in the next few years through the generation of taxable profit.

In accordance with Article 12.5 of the Spanish Corporation Tax Law, the Company considered the amortisation for tax purposes of goodwill arising from the difference between the acquisition cost of Ultralase Limited and its carrying amount on the acquisition date to be deductible (see Note 8), up to the maximum annual limit of one twentieth of this amount. Accordingly, the Company recognised the difference between the tax charge allocated to the year and to prior years and the tax charge which would have to be paid under “Non-Current Liabilities - Deferred Tax Liabilities” in the accompanying balance sheet at 31 December 2007. The cumulative balance recognised at 31 December 2007 was EUR 1,341 thousand.

The reconciliation for 2007 for income tax purposes includes a positive timing difference amounting to EUR 5,380 thousand, relating mainly to the provision recognised with a charge to 2007 loss for the outstanding balance recognised at year end for loans granted by the Company to its Italian subsidiaries (see Note 8). This expense will be tax deductible in future periods, pursuant to applicable tax legislation. The Company recognised a deferred tax asset in relation to this timing difference of EUR 1,614 thousand with a charge to “Long-Term Investments – Tax Receivables” on the asset side of the accompanying balance sheet at 31 December 2007.

Timing differences were also recognised in both the current year and in prior years, relating to the difference between the tax charge allocated to the current year and the tax payable arising, mainly, from certain finance leases of an insignificant amount. The tax effect was calculated by applying to the related amount the tax rate applicable at the time when the reversals of the timing differences will foreseeably take place, which will be at a tax rate of 30% for tax periods commencing on or after 1 January 2008.

Current Spanish corporation tax legislation provides certain tax incentives to encourage, inter alia, new investments, staff training, research and development and exports. At 31 December 2007, the Company had outstanding income tax credits for exporting activities not yet applied totalling EUR 6,007 thousand, which were generated in 2004 and 2005 and, in accordance with the accounting principle of prudence, it has not recognised the related tax credits in this connection, taking into account the current situation regarding the legislation

establishing these tax credits, which is described in the following paragraph. Under current legislation, these tax credits may be used within a period of ten years from the year in which they arise. Additionally, the Company has other outstanding tax credits for investments, totalling EUR 27 thousand, which were generated in 2005, 2006 and 2007 and which mature in the same period as referred to above.

With respect to tax credits for exports, in a ruling of 22 March 2006 the European Commission deemed such credits to be state grants, and therefore incompatible with the common European market, and obliged the Spanish state to gradually eliminate the credits and to immediately end any grants related to the setting up of retail networks. As a result of this situation, the Company did not recognise the asset relating to the unused tax credits amounting to EUR 6,007 thousand described in the preceding paragraph and, additionally, in view of potential extraordinary expenses, in prior years the Company recorded the related provisions of EUR 1,411 thousand under "Provisions for Contingencies and Charges" in the accompanying balance sheet at 31 December 2007 for the whole amount of the tax credits for exports taken in the prior years' income tax settlements (see Note 12).

Prior years' tax inspections gave rise to certain tax assessments of EUR 158 thousand which the Company appealed against and for which the full amount was provisioned (see Note 12).

In March 2006, the Portuguese tax authorities notified the Company of tax review proceedings of a general nature at the Company's Portuguese branch with respect to VAT for 2002-2006 inclusive, and income tax for 2002-2005. This inspection gave rise to certain tax assessments amounting to EUR 2,082 thousand, which were paid in full by the Company in 2007. The Company appealed against these assessments, as provided for by Portuguese legislation. The Company maintained the provisions for contingencies and charges recognised for the full amount of these assessments, which were almost entirely recognised in prior years and reversed when payment was made (see Note 12).

In addition, the Company has the last four years open for review by the tax inspection authorities for all the taxes applicable to it (five years for income tax). The Company's directors do not expect any material contingencies to arise as a result of a possible inspection of the open years.

15. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2007 the Company had received guarantees amounting to EUR 713 thousand from financial institutions as security for compliance with commercial agreements entered into with third parties in the normal course of its operations.

Also, at 31 December 2007 the Company had provided certain guarantees to certain financial institutions for certain of its subsidiaries amounting to approximately EUR 1,593 thousand, to secure fulfilment of the terms and conditions relating to the financing granted to the Italian subsidiaries by these financial institutions. The Company had also provided guarantees to Ultralase Medical Aesthetics Limited for other third parties amounting to approximately EUR 1,109 thousand, to secure fulfilment of specific terms and conditions relating to certain property leases.

The Company's directors consider that no additional liabilities will arise from these guarantees.

Certain criminal proceedings are currently in progress as a result of reports presented against the Company and some of its executives. The Company's directors and its legal advisors consider that the final outcome of these legal proceedings will not have a material impact on the Company.

The Company has also been carrying out its activity at one of its clinics without having yet obtained the relevant operating licence. To date, the Company has appealed against the administrative rulings which refused to grant this licence, the outcome of which was unfavourable. The directors consider that this situation will not have an adverse material impact on the Company in the future and that operations at that clinic will be able to continue as normal.

16. Income and expenses

Revenue for the year relates practically in full to the integral provision of aesthetic and medical-aesthetic services in Spain and Portugal. These financial statements do not include information on the breakdown of the revenue by

geographical market and by activity, since the disclosure thereof might cause serious commercial damage to the Company.

The detail of "Procurements" in the accompanying income statement for 2007 is as follows:

	Euros
Purchases of instruments and small tools	273,682
Purchases of replacement parts and supplies	5,751,845
Purchases of other supplies	562,413
Healthcare services	13,410,044
Work performed by other companies	638,223
Changes in inventories	(245,144)
	20,391,063

The balance of "Healthcare Services" relates mainly to the work performed for the Company by graduate healthcare professionals and the services provided by healthcare companies. In 2007, a total of 372 professionals, including doctors and surgeons, provided external healthcare services. "Work Performed by Other Companies" includes mainly the expenses relating to laundry, cleaning and waste management services.

The breakdown of "Staff Costs" in the accompanying 2007 income statement is as follows:

	Euros
Wages and salaries	14,375,898
Employer social security costs	3,476,298
Termination benefits	138,176
Other employee benefit costs	33,961
	18,024,333

The average number of employees at the Company in 2007, by professional category and gender, was as follows:

	Number of Employees		
	Men	Women	Total
Managers and supervisors	7	78	85
Graduate healthcare professionals	36	91	127
Assistant healthcare staff	1	214	215
Other healthcare staff	1	-	1
Non-healthcare staff	21	285	306
	66	668	734

The breakdown of "Other Operating Expenses" in the accompanying 2007 income statement is as follows:

	Euros
Advertising and publicity	21,034,348
Rent and royalties (Note 5)	4,392,455
Other services	2,682,956
Independent professional services	1,176,714
Repairs and upkeep	538,565
Utilities	619,143
Period provision (Note 12)	526,917
Insurance premiums	246,576
Transport	298,421
Banking and similar services	164,354
Taxes other than income tax	515,201
	32,195,650

The balance of "Independent Professional Services" includes EUR 74 thousand relating to the fees for the audit of the Company's financial statements. It also includes the fees for other related services billed by the principal auditor amounting to EUR 27 thousand.

The detail of the transactions with Group companies in 2007, by nature, is as follows:

	Thousands of Euros
Revenue	78
Other operating income	1,067
Finance income	465
	1,610

The transactions with Group companies included in "Other Operating Income" in the accompanying 2007 income statement relate to services rendered by the Company to its subsidiaries, mainly management support services.

17. Directors' remuneration and other benefits and other information on the Board of Directors

The Company's Board of Directors at 31 December 2007 was composed of five men and one woman. In 2007 the Company's directors with executive functions received remuneration of EUR 554 thousand (EUR 473 thousand in fixed remuneration and EUR 81 thousand in variable remuneration) and EUR 77 thousand for additional services. Certain members of the Company's Board of Directors also earned EUR 58 for services rendered, in addition to the transactions described in Notes 5 and 8.

No other remuneration was paid to the directors nor did they perform any other transactions. In 2007 the Company did not grant any advances or loans to its directors nor did it have any pension or life insurance commitments to them.

Pursuant to Law 26/2003, of 17 July, which amended Securities Market Law 24/1988, of 28 July, and the Consolidated Companies Law, approved by Legislative Royal Decree 1564/1989, of 22 December, in order to reinforce the transparency of publicly listed companies, the directors reported to the Company the following effective interests directly and indirectly held by them in 2007 and the following positions or duties in companies with activities identical, similar or complementary to the activity that constitutes the company object of the Company:

Director	Name of Company	Ownership Interest	Position or Duties
José María Suescun Verdugo	Dermo Salud, S.r.L.	0.10%	-
	Società Italiana di Medicina e Chirurgia, S.r.L.	0.10%	-
	Cliniche Futura, S.r.L.	0.10%	-
	Istituto Cosmetica Avanzata, S.r.L.	0.10%	-
	Corporación Dermoestética, S.r.L.	0.10%	-
	Alta Estética, S.r.L.	0.10%	-
	Belle Epoque, S.r.L.	0.10%	-
	Istituto Medico Laser, S.r.L.	0.10%	-
	Belmed, S.r.L.	0.10%	-
	Obiettivo Uno, S.r.L.	0.10%	-
	Studio Estetica e Benessere, S.r.L.	0.10%	-
	Aesthetic International Center, S.r.L.	0.10%	-
	Medicalia, S.r.L.	0.10%	-
	Medical International Center, S.r.L.	0.10%	-
Soul Corporación, S.L.	100%	Sole director	
Fernando García Llinares	Dermo Salud, S.r.L.	-	Deputy chairman and director
	Società Italiana di Medicina e Chirurgia, S.r.L.	-	Deputy chairman and director
	Cliniche Futura, S.r.L.	-	Deputy chairman and director
	Istituto Medico Laser, S.r.L.	-	Deputy chairman and director
	Medicalia, S.r.L.	-	Deputy chairman and director
	Medical International Center, S.r.L.	-	Deputy chairman and director
Antonio Sánchez Rodado	Soul Corporación, S.L.	-	Attorney, Provision of professional services

18. Events after the balance sheet date

On 27 December 2007, the Company's Board of Directors accepted the binding offer presented by 3i Europe Plc. through its branch in Spain, acting as adviser to and on behalf of 3i Group Plc. and of the funds managed by it, to acquire all the share capital of Ultralase Limited for GBP 174.5 million (approximately EUR 235 million). This offer was conditional on the completion of the legal, tax, financial and labour due diligence reviews to 3i Europe Plc.'s satisfaction and on a satisfactory agreement being reached on the legal documentation for the execution of the transaction. This process was completed on 14 February 2008 with the sale of the aforementioned subsidiary for the amount agreed in the binding offer. Of the total price, GBP 21,500 thousand were deferred until 2018 through the creation by the purchaser of a financial instrument that will bear interest of 6.5% from the date the agreement is entered into until 14 February 2015 and of 10.5% from that date. As a result of this transaction, the Company obtained a gain of approximately EUR 197 million before tax, which will be recognised in the income statement for 2008.

On 28 March 2008, the Company formalised an agreement to sell all of its holding in Ultralase Medical Aesthetics Limited to a third party for GBP 1. The Company's directors consider that this transaction, which will be recognised in the financial statements for 2008, will not have a material effect thereon.

The agreements entered into in relation to these two transactions establish certain commitments and guarantees provided by the Company to the purchasers, which are standard in this type of transaction.

Also, on 9 March 2008, the Company's directors' resolved to perform an orderly liquidation of its subsidiaries in Italy, for which they prepared a plan that will be implemented in 2008. Per the directors' initial estimates, the liquidation of the aforementioned subsidiaries will give rise to losses for the Company of approximately EUR

12,600 thousand, of which EUR 3,766 thousand, net of the related tax effect, were recognised with a charge to the income statement for 2007 (see Note 8). The remaining amount will be recognised with a charge to the income statement for 2008.

19. Statements of changes in financial position

Following are the statements of changes in financial position for 2007 and 2006:

c/f

The reconciliation of the loss for 2007 and 2006 to the funds obtained from operations is as follows:

	Euros	
	2007	2006
Loss for the year	(7,857,873)	(6,613,384)
Add:		
Depreciation and amortisation charge	5,013,419	4,983,063
Change in control portfolio allowances	12,769,394	19,199,034
Change in allowances for loans to Group companies	5,380,277	-
Adjustment to income tax	-	630,000
Change in allowances for treasury shares	500,843	66,890
Provision for contingencies and charges	526,917	3,052,047
Deferred interest expense	93,461	38,080
Less:		
Gains on property, plant and equipment disposals	(10,093)	-
Tax assets recognised in the year	(3,006,267)	(2,210,604)
Deferred tax asset	(1,614,083)	-
Funds obtained from operations	11,795,995	19,145,126

20. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Corporación Dermoestética, S.A.

Directors' Report for the year ended 31 December 2007

Business performance and Company situation

In 2007 Corporación Dermoestética S.A. continued advancing, particularly in the development of its business plan and in consolidating its position as the leading company in its speciality. This progress culminated in the sale of the UK subsidiary Ultralase Ltd. in the first quarter of 2008.

The Company's revenue in 2007 was EUR 80,173 thousand. In terms of the year's economic results, Corporación Dermoestética, S.A. generated EBITDA of EUR 11,464 thousand.

On the international scene, in view of the performance of the operations and results of the Group's subsidiaries in Italy, in 2006 the Company's Board of Directors approved a "Restructuring Plan" for its Italian subsidiaries, which involved, mainly, redundancies and the closure of certain centres which failed to meet the projected operational or profitability targets, concentrating operations on fewer centres. The Restructuring Plan was completed in full in the first half of 2007, and the targets set in relation to the closure of clinics and the reduction of operating costs were achieved. However, in 2007 the Italian subsidiaries' business volume did not reach the levels expected in the budgets prepared by Group management, so much so that the losses incurred exceeded the initial estimates. The budgets prepared by the directors for 2008 envisage that the Italian subsidiaries will incur further significant losses. Accordingly, the Company's directors resolved to liquidate its Italian subsidiaries after 2007 year-end.

The Company's average headcount rose by 5.6% compared to 2006 to 734 employees, of which 668 are women and 66 men. There are no other significant aspects of note relating to the Company's employees.

In view of the business activities carried on by the Company, its directors consider that the Company has no environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. All material environmental aspects are disclosed, as appropriate in the explanatory notes for 2007.

Significant events after the balance sheet date

In the period from 1 January 2008 to the date of preparation of these financial statements and directors' report, the main events that took place were as follows:

- On 27 December 2007, the Company's Board of Directors accepted the binding offer presented by 3i Europe Plc. through its branch in Spain, acting as adviser to and on behalf of 3i Group Plc. and of the funds managed by it, to acquire all the share capital of Ultralase Limited for GBP 174,500 thousand. This offer was conditional on the completion of the legal, tax, financial and labour due diligence reviews to 3i Europe Plc.'s satisfaction and on a satisfactory agreement being reached on the legal documentation for the execution of the transaction.

This process was completed on 14 February 2008 with the sale of the subsidiary Ultralase Ltd. for the amount agreed in the binding offer. Of the total price, GBP 21,500 thousand were deferred until 31 March 2018 through the creation by the purchaser of a financial instrument that will bear interest of 6.5% from the date the agreement is entered into until 14 February 2015 and of 10.5% from that date.

- On 28 March 2008, the Company formalised an agreement to sell all of its holding in Ultralase Medical Aesthetics Limited to a third party for GBP 1. The Company's directors consider that this transaction, which will be recognised in the consolidated financial statements for 2008, will not have a material effect thereon.

- Also, on 9 March 2008, the Company's directors' resolved to perform an orderly liquidation of the subsidiaries in Italy, for which they prepared a plan that will be implemented in 2008. Per the directors' initial estimates, the liquidation of the aforementioned subsidiaries will give rise to losses for the Company of approximately EUR 12,600 thousand, of which EUR 3,766 thousand, net of the related tax effect, were recognised with a charge to the income statement for 2007. The remaining amount will be recognised with a charge to the income statement for 2008.

The Company is continuing with its activities and is opening new clinics as planned.

Outlook

The aforementioned events that occurred after 2007 year-end enable the Group to commence a new era in which its main objective will be to continue to strengthen its markets in Spain and Portugal in order to continue as the leading Group in its speciality. At 31 December 2007, the Group had a total of 49 clinics open in Spain and 5 in Portugal, which shows its considerable strength in the market and places it as the leading group in the aesthetic medicine and surgery industry in Spain and, possibly, in Europe. In addition, the Group will continue to consolidate the new projects launched in 2007 at national and international (Mexico) level.

Main risks and uncertainties

The most significant market risks to which the Company is exposed are as follows:

- Changes in demand for the services provided by the Company and by the Group as a consequence of the economic or social situation of the markets in which it operates or for causes specific to the industry or the Group companies.
- Risks deriving from the application of the business model implemented by the Company in Spain to other countries, which could require considerable investment and significant advertising expenses.
- Changes in the regulations governing healthcare in general or aesthetic medicine in particular, in addition to any regulatory restriction on the Company's or Group's expansion capacity.
- Difficulties involved in identifying and contracting certain resources required to conduct the Company's and Group's activity (leased premises for clinics, healthcare professionals, advertising, etc.), in addition to the difficulties involved in maintaining them for use by the Company or by the Group in the long term in similar conditions to those at present.

Research and development activities

In the second half of 2006, the Company initiated certain non-material R&D projects in its cosmetics production area which will be developed and pursued in full in future years.

Transactions involving treasury shares

In 2007 the Company performed the following transactions involving treasury shares:

	Number of Shares	Amount (Euros)	% of Capital
Balance at 1 January 2007	81,392	720,404	0.20
Purchases	323,565	2,815,664	0.82
Balance at 31 December 2007	404,957	3,536,068	1.02
Allowances for treasury shares		(3,252,016)	
Net carrying amount		284,052	

The acquisitions of treasury shares during the year were performed pursuant to the resolutions of the Company's Annual General Meeting on 19 May 2007 and of the Board of Directors' meeting on 5 July 2007, without specifying the purpose for which they were intended.

At 31 December 2007, the Company recorded a provision of EUR 3,252 thousand for the balance of the aforementioned shares by comparing them with the underlying carrying amount,

Use of financial instruments

The Company's use of financial instruments did not have a relevant impact on the measurement of its assets, liabilities, financial position or results.

Capital structure

The share capital of the Company at 31 December 2007 consisted of 39,891,580 fully subscribed and paid shares of EUR 0.10 par value each. All of the Company's shares are admitted to listing on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges, in addition to the Continuous Market.

At 31 December 2007, the Company held 1.02% of its share capital.

Restrictions on the transferability of securities

There are no restrictions on the transferability of the Company's shares except as provided for in law.

Significant direct or indirect ownership interests in the share capital

At 31 December 2007, the main shareholders of the Company were as follows:

	Percentage of Ownership	Type of Ownership Interest
José María Suescun Verdugo	50.100	Direct
Pictet Asset Management Ltd.	5.660	Indirect
QMC Development Capital Fund Plc.	5.008	Direct

Restriction on voting rights

At 31 December 2007, the Company's shareholders were not subject to any restrictions on voting rights.

Side agreements

There were no side agreements at 31 December 2007.

Rules governing the appointment and replacement of the members of the Board of Directors and the amendment of the bylaws.

The Board of Directors must be composed of the number of directors determined by the shareholders at General Meeting and must in all cases have a minimum of three and a maximum of 12 members.

The Board must propose to the General Meeting the number of directors it considers to be appropriate for the discharge of the functions commended to it at all times.

In exercising its powers to propose the appointment of directors to the General Meeting and to co-opt directors to fill vacancies, the Board of Directors must ensure that non-executive directors are significantly represented.

The Board of Directors must also ensure that the non-executive directors include, on the one hand, those proposed by holders of stable investments in the share capital (nominee directors), and, on the other, professionals of renowned prestige who are not related to the management team or the significant shareholders (independent directors). Taking into account the Company's shareholder structure, in order to establish a reasonable balance between the number of nominee directors and independent directors, the Board will ensure that the composition thereof takes into account the share capital.

Directors shall be appointed for a period of six years and may be re-appointed for one or more subsequent terms of equal length.

Both individuals and legal entities may be appointed as directors, and prospective directors need not be shareholders.

Individuals declared incompatible under current legislation at any time may not be members of the Board of Directors.

Powers of the members of the Board of Directors

The Board of Directors holds the Company's powers of attorney, both in and out of court, and has powers, in the broadest respect, to conclude agreements in general, to carry out all manner of acts and transactions, of contractual liability or disposition, of ordinary or exceptional management and of absolute title, with respect to all manner of movable and immovable properties, money, securities and commercial bills, with no exceptions other than those matters that are the authority of other bodies.

The Board of Directors has the power to acquire treasury shares under a resolution adopted by the shareholders at the Annual General Meeting on 19 May 2007.

The Board of Directors is responsible for designating its chairman and has the power to appoint one or more deputy chairmen. The Board must designate a secretary, and has the power to appoint a deputy secretary; the persons appointed need not be directors, in which case they will have the right to speak but not to vote. The deputy secretary will replace the secretary in the event of absence, incapacity or a vacancy.

The resolutions of the Board of Directors must be taken by absolute majority of the members attending personally or represented unless, under current legislation or these bylaws, a larger majority is stated. In the event of tied votes, the chairman shall have the casting vote.

Significant agreements which will be modified or terminated in the event of a change in control

No significant agreements will be modified or terminated in the event of a change in control.

Agreements between the Company and its directors, Management personnel or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid

There are no agreements between the Company and its directors, management personnel or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid.

On 31 March 2008, and in compliance with the requirements established in Article 171 of the Consolidated Companies Law and Article 37 of the Spanish Commercial Code, the Board of Directors of Corporación Dermoestética, S.A., authorised for issue the individual financial statements and directors' report for the year ended 31 December 2007, which consist of the attached documents preceding this page, which have been signed on all pages for identification purposes by all the members of the Board of Directors and the Secretary of the Board of Directors.

Additionally, all the members of the Board of Directors declare that, to the best of their knowledge, the 2007 financial statements, which were prepared in the meeting held on 31 March 2008 in accordance with the applicable accounting policies, present fairly the net worth, financial position and results of operations of Corporación Dermoestética, S.A. and that the directors' report approved therewith includes a fair analysis of the performance, business results and financial position of Corporación Dermoestética, S.A., and a description of the main risks and uncertainties to which it is exposed, signed in conformity by all of the entity's directors.

José M^a Suescun Verdugo
(Chairman)

Ascensión Vivancos Matellanos
(Deputy Chairwoman)

Jacobo Llanza Figueroa
(representing
QMC DIRECTORSHIPS, S.L.)

Fernando García Llinares

Carlos Senent Sales

Antonio Sánchez Rodado

Carlos Peiró Sendra
(Non-director secretary)

Luis Sebastián Maganto
(Non-director deputy secretary)