THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares in Medical Solutions plc you should forward this document and the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

A copy of this document, which comprises listing particulars relating to Medical Solutions plc prepared in accordance with the Listing Rules made under section 74(4) of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration, in accordance with section 83 of that Act.

Evolution Beeson Gregory Limited, which is authorised and regulated by The Financial Services Authority is acting exclusively for the Company and no other person in relation to the matters described in this document and will not be responsible to any other person for providing the protections afforded to customers of Evolution Beeson Gregory Limited or for advising any such person on the contents of this document or any matter referred to herein.

MEDICAL SOLUTIONS PLC

(Incorporated in England and Wales with registered number 79136)

PROPOSED ACQUISITION OF WELCARE PATHOLOGY LABORATORY

PROPOSED SUBSCRIPTION OF 10,000,000 NEW ORDINARY SHARES

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Application will be made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List. Application will also be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission to the Official List and dealings in the Subscription Shares will commence on 27 June 2003. The Ordinary Shares are listed on the Official List and traded on the London Stock Exchange.

The Subscription Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, South Africa, Australia or Japan nor has any prospects in relation to the Subscription Shares been lodged with or registered by the Australian Securities and Investments Commission. Accordingly the Subscription Shares have not been and will not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, South Africa, Australia, Japan or any other jurisdiction where it would be unlawful to do so. Overseas Shareholders and any person (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

The notice of Extraordinary General Meeting of Medical Solutions plc, to be held at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH, at 9.30 a.m. on 26 June 2003, is set out at the end of this document. Whether or not you intend to be present at the EGM, you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event not later than 9.30 a.m. on 24 June 2003.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2003
Latest time and date for receipt of Forms of Proxy	9.30 a.m. on 24 June
Extraordinary General Meeting	9.30 a.m. on 26 June
Completion of Acquisition	27 June
Expected date of Admission and commencement of dealings in the Subscription Shares	27 June

SUBSCRIPTION STATISTICS

Subscription Price	20 pence
Number of Subscription Shares being issued pursuant to the Subscription	10,000,000
Number of Ordinary Shares in issue following the issue of the Subscription Shares	89,403,240
Market capitalisation of Medical Solutions plc at the Subscription Price following Completion	17.9 million
Subscription Shares expressed as a percentage of the Existing Ordinary Shares	12.6 per cent.

DEFINITIONS AND GLOSSARY OF TERMS

The following words and expressions have the following meanings in this document unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Welcare Pathology Laboratory, as described in this document
"Acquisition Agreement"	the conditional agreement dated 21 May 2003 between the Company (1) and the Vendor (2) relating to the Acquisition, a summary of which is set out in paragraph 8 of Part I of this document
"Acquisition Documents"	the Acquisition Agreement and the Services Agreement
"Act"	the Companies Act 1985, as amended
"Additional Deferred Consideration"	up to a maximum of £2,000,000 which may be payable to the Vendor in cash or Consideration Shares pursuant to the terms of the Acquisition Agreement following Completion, as described in paragraph 8 of Part I of this document
"Admission"	the admission of the Subscription Shares to the Official List by the UK Listing Authority and to trading on the London Stock Exchange market for listed securities becoming effective in accordance with the Listing Rules and Admission Standards
"Admission Standards"	the Admission and Disclosure Standards issued by the London Stock Exchange from time to time
"Adams"	Adams Healthcare Limited and its subsidiary Quinoderm as the context requires
"AED" or "Dirhams"	Arab Emirates Dirhams, the local currency in Dubai
"Announcement Date"	22 May 2003, the date the Acquisition and Subscription was announced
"Approved Share Option Scheme"	the Medical Solutions approved share option scheme, as adopted by Shareholders in March 2001 and amended in December 2002
"Cellpath"	Cellpath Plc, a wholly owned subsidiary of the Company, which was disposed of in December 2002 for approximately £1.6 million
"CD&P Division"	the cancer diagnostics and pathology division of the Group
"Company" or "Medical Solutions"	Medical Solutions plc
"Completion"	completion of all the conditions relating to the Acquisition which is expected to be 27 June 2003, subject to a long stop date of not later than 31 July 2003
"Consideration Shares"	fully paid Ordinary Shares which may be issued as consideration for the Acquisition
"Contracted Services"	the services to be provided between MS Dubai and Welcare including, *inter alia*, pathology services by MS Dubai and patient referrals by Welcare
"cytopathology"	the study of disease changes within individual cells or cell types
"Deferred Consideration"	up to a maximum of £3,000,000 which may be payable to the Vendor in cash or Consideration Shares pursuant to the terms of the Acquisition Agreement following Completion, as described in paragraph 8 of Part I of this document

"DHCC"	Dubai HealthCare City
"Disposals"	the disposals by the Company in 2002 of its Pharmaceutical Division and Cellpath, as described in detail in the circular sent to Shareholders dated 28 November 2002
"Directors" or "Board"	the current directors of the Company, whose names appear on page 6 of this document
"EBT"	the proposed Medical Solutions employee benefit trust, a summary of which is set out in paragraph 10 of Part I of this document
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to approve the Acquisition and Subscription convened for 9.30 am on 26 June 2003 (or any adjournment thereof) at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH, notice of which is set out at the end of this document
"endocrinology"	the study of the function and pathology of the endocrineglands, for example the thyroid gland and the pituitary gland
"Enlarged Group"	the Company and its subsidiaries following completion of the Acquisition and Subscription
"Enlarged Issued Share Capital"	the ordinary issued share capital of the Company as enlarged by the Subscription
"Evolution Beeson Gregory"	Evolution Beeson Gregory Limited
"Executive Share Option Scheme"	the Medical Solutions unapproved share option scheme as adopted by Shareholders in August 1999 and amended in December 2002
"Existing Ordinary Shares"	the Ordinary Shares currently in issue
"Fairfield"	Fairfield Imaging Limited, a wholly owned subsidiary of the Company
"Form of Proxy"	the form of proxy accompanying this document for use at the EGM
"FSMA"	The Financial Services and Markets Act 2000
"Group" or "Medical Solutions Group"	Medical Solutions and its subsidiary undertakings
"haematology"	the study of the configuration or the structure of the blood and blood forming tissues
"histopathology"	the study of microscopic changes in diseased tissues
"Initial Consideration"	£7,000,000 to be paid in cash by the Company to the Vendor on Completion
"Kinetic"	Kinetic Imaging Limited, a wholly owned subsidiary of the Company
"London Stock Exchange"	London Stock Exchange plc
"Listing Rules"	the listing rules of the UK Listing Authority made for the purposes of Part VI of the Financial Services and Markets Act 2000
"MS Dubai Limited"	Medical Solutions Dubai Limited, the newly formed subsidiary of the Company through which the Group intends to operate the business of the Laboratory
"Notice of EGM"	the notice of EGM set out at the end of this document
"Ordinary Shares"	ordinary shares of 2p each in the share capital of the Company

"PathLore"	the pathology services business within the CD&P Division
"Pharmaceutical Division"	the Pharmaceutical division of the Group, comprising the business and assets of Adams and its wholly owned subsidiary Quinoderm, which was disposed of in December 2002
"PCPS" or "Peterborough"	Peterborough Cellular Pathology Services
"Resolutions"	the resolutions to be proposed at the EGM, notice of which is set out at the end of this document
"serology"	a blood test that detects the presence of antibodies to a particular antigen
"Services Agreement"	the conditional services agreement dated 21 May 2003 between (1) MS Dubai Limited, (2) Welcare and (3) Mr. S. Varkey for the provision, *inter alia*, of the Contracted Services as summarised in paragraph 4 of Part I of this document
"Share Option Schemes"	the Approved Share Option Scheme and the Executive Share Option Scheme
"Shareholders"	holders of Ordinary Shares
"Subscription"	the conditional subscription by the Vendor of the Subscription Shares at Completion
"Subscription Agreement"	the conditional agreement dated 21 May 2003 between (1) the Company and (2) Mr. S. Varkey relating to the Subscription as described in paragraph 9 of Part I of this document
"Subscription Shares" or "New Shares"	10,000,000 new Ordinary Shares to be issued to Mr. S. Varkey on Completion
"Subscription Price"	20p per Ordinary Share
"UAE"	United Arab Emirates
"UK Listing Authority" or "UKLA"	The Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"Mr. S. Varkey"	Mr. S. Varkey, the ultimate controller of Welcare
"Vendor"	Welcare Hospital, the vendor of the business and assets of the Welcare Pathology Laboratory
"Welcare Hospital", "Welcare" or "Hospital"	Welcare Hospital LLC
"Welcare Party"	Welcare Hospital, Mr. S. Varkey and their associated and/or subsidiary entities
"Welcare Pathology Laboratory" or "Laboratory"	the laboratory, which is part of Welcare, based in Dubai to be acquired by the Group pursuant to the Acquisition Agreement and to be operated by the Group pursuant to the Services Agreement

DIRECTORS, SECRETARY AND ADVISERS

Board of Directors

Professor Sir Gareth Gwyn Roberts	*(Non-executive Chairman)*
Charles Alexander Green	*(Chief Executive)*
Andrew David Longstaffe	*(Finance Director)*
Dr Ian Ogilvie Ellis	*(Medical Director)*
Professor Karol Sikora	*(Non-executive Director)*

all of whose business address is:
1 Orchard Place
Nottingham Business Park
Nottingham
NG8 6PX

Company Secretary

Andrew Longstaffe

Financial Adviser and Sponsor

Evolution Beeson Gregory Limited
The Registry
Royal Mint Court
London EC3N 4LB

Solicitors to the Company

Hammonds
2 Park Lane
Leeds
LS3 1ES

Auditors and Reporting Accountants

Deloitte and Touche
P.O. Box 500
201 Deansgate
Manchester M60 2AT

Registrar

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Principal Bankers

Royal Bank of Scotland
P.O. Box 546
100 Barbirolli Square
Manchester M60 2FT

PART I

LETTER FROM THE CHAIRMAN OF MEDICAL SOLUTIONS PLC

(Incorporated and registered in England and Wales with Registered Number 79136)

Directors	*Registered Office*
Professor Sir Gareth Gwyn Roberts (*Non-executive Chairman*)	1 Orchard Place
Charles Alexander Green (*Chief Executive*)	Nottingham Business Park
Andrew David Longstaffe (*Finance Director*)	Nottingham
Dr Ian Ogilvie Ellis (*Medical Director*)	NG8 6PX
Professor Karol Sikora (*Non-executive Director*)	3 June 2003

To: Shareholders for the purpose of voting at the EGM and, for information only, to holders of share options.

Dear Shareholder

Proposed acquisition of Welcare Pathology Laboratory
Proposed Subscription of 10,000,000 new Ordinary Shares
Notice of Extraordinary General Meeting

1. Introduction

On 22 May 2003, it was announced that the Company had entered into conditional agreements, subject to, *inter alia,* Shareholders approval, to acquire (pursuant to the Acquisition Agreement) the Welcare Pathology Laboratory from Welcare Hospital and to provide all of the pathology services for at least the next 20 years (pursuant to the Services Agreement), to the Welcare Hospital in Dubai and providing the Group with the rights in relation to the provision of such pathology services to all other hospitals owned or controlled by a Welcare Party. The total consideration under the Acquisition Documents will be up to a maximum of £12,000,000 comprising:

- the Initial Consideration – being £7,000,000 to be paid to the Vendor on Completion to be satisfied in cash, of which £2,000,000 is to be re-invested by Mr. S. Varkey on Completion in new Ordinary Shares under the Subscription;
- the Deferred Consideration – being £1,000,000 in each of the three years following Completion payable to the Vendor to be satisfied in cash or new Ordinary Shares at the Company's discretion, subject to, *inter alia,* the Laboratory generating on an annualised basis at least £950,000 in repatriable earnings, in each of the three years following Completion; and
- the Additional Deferred Consideration – being up to a maximum of £2,000,000 to be satisfied in cash or new Ordinary Shares at the Company's discretion, and representing 50 per cent. of any excess in repatriable earnings on an annualised basis over £950,000 in each of the three years following Completion.

Conditional upon the Acquisition, the Company also announced on 22 May 2003 that it had entered into the Subscription Agreement for the purchase of 10,000,000 Subscription Shares by the Vendor on Completion.

Because of the relative sizes of the Acquisition and the Subscription, the Acquisition Documents and the Subscription Agreement are conditional, *inter alia,* upon the approval of Shareholders at the Extraordinary General Meeting, which is to be held on 26 June 2003, notice of which is set out at the end of this document. In addition, the Company intends to set up the EBT which also requires the approval of Shareholders at the EGM.

This letter sets out the background to, and reasons for, the proposed Acquisition and the proposed Subscription, why your Board believes that they are in the best interests of the Company as a whole and why they recommend that you vote in favour of the Resolutions to be proposed at the EGM.

2. Information on the Medical Solutions Group

Business

The Group is a provider of cancer diagnostics and pathology services in the UK. The Group is able to offer what its Directors consider to be a unique combination of world renowned pathologists and leading-edge imaging technologies through its PathLore, PCPS, Fairfield and Kinetic businesses. Together, these businesses can service the relevant needs of public and private healthcare in the UK and selected overseas markets and pharmaceutical and biotechnology companies worldwide.

The Group has two operating divisions: a services division; and a technology division. The services division comprises PathLore's remote locum service and reference laboratory and Peterborough Cellular Pathology Services ("PCPS"). Since its inception in June 2001, the remote locum service has grown significantly and is expected to conduct more than 80,000 tests in the year to 31 December 2003. At present it has 14 hospital trusts under contract and 60 retained consultant pathologists. The reference laboratory was completed during 2002 enabling it to prepare and analyse a comprehensive range of tests, provide profiling of adjuvant therapy, tissue preparation, drug evaluation and general cytology. PCPS, which was acquired by the Company in November 2002, offers ethically assured, fully documented, fresh clinical samples to major pharmaceutical and biotechnology companies.

The technology division comprises Kinetic, whose imaging products measure DNA damage in cells, and Fairfield, whose telepathology imaging systems allow tissue samples to be examined at high resolution under the control of a clinician operating from a remote location. The technology division will increasingly provide support and technology for the services division, particularly in the area of scanning and quantitative analysis for the Group's drug discovery clients.

The Group also has the rights to distribute the SurePath liquid based cytology ("LBC") smear preparation system in the UK.

Recent developments

Pursuant to its strategy of building a substantial cancer diagnostics and services business, servicing public, private and commercial markets, the Group's recent key developments include:

- the acquisition of PCPS in November 2002 providing the Group access to a fully consented, ethically sourced human tissue bank in the UK;
- the disposal of the Pharmaceutical division and Cellpath, allowing the Group to focus on its cancer services business. The Disposals were approved by Shareholders on 13 December 2002;
- strengthening the Board by appointing two of the UK's leading cancer specialists in Dr Ian Ellis as executive medical director and Professor Karol Sikora as non-executive director; and
- securing the Group's first major pharmaceutical contract in February 2003 with AstraZeneca for the supply of high quality human-tissue based evaluation services.

In February 2003, the Group commenced a process of relocating its operating divisions to a single location at its new headquarters in Nottingham, which the Directors anticipate will lead to improved synergies across the Group.

Strategy

The Group's strategy can be summarised as follows:

- to cross sell its range of services throughout its private, public and commercial customer base;
- to expand its regional and international areas of operation both organically and through acquisition; and
- to diversify further the range of services offered to its clients.

The acquisition of PCPS and the recent pharmaceutical contract have demonstrated the Group's success in diversifying its offering and cross selling its unique combination of services into new markets. In addition, further regional expansion is expected as the Group anticipates operating three new tissue banks under the PCPS model in the UK by the end of 2003.

3. Background to the Acquisition

As previously reported, the Group's principal focus over the last 18 months has been on building a substantial cancer diagnostics and pathology business capable of servicing its public, private and commercial domestic markets. Due to the substantial progress made in establishing the Group's services in the UK, the Directors believe that the Group is now well positioned to exploit the opportunities that its offering provides in overseas markets. With the proceeds from the Disposals now available to the Group, the Directors are in a strong position to grow the Group through suitable complementary acquisitions in the area of Cancer diagnostics and pathology services.

The Group has been providing a small number of pathology services to Welcare, including cellular and tissue analysis, and as the volume of tests performed for Welcare has increased, the Directors have recognised a growing need to establish the Group's own specialist medical diagnostic laboratory in Dubai. The Group's activities in Dubai are not confined to Welcare. Indeed, the Group announced on 9 May 2003 that it had installed a PathSight telepathology system in the Dubai Hospital, Dubai's largest public hospital. This installation has been linked to the Group's cancer diagnostics laboratories in Nottingham providing the Dubai Hospital with access to real-time tissue examination and software imaging analysis by PathLore's leading pathologists.

Historically, a high proportion of the Middle East's diagnostic tests have been sent overseas, primarily to Europe and the USA, for analysis which inhibited the development of specialist local diagnostic laboratories. However, the current geopolitical climate, more specifically the potential for bioterrorism has reduced the number of potential cancerous tissue samples being accepted overseas for evaluation, so more analyses is having to be carried out locally.

The Acquisition will enable the Group to establish a significant presence in the pathology services market in the Middle East and allow the Group to exploit the growth in the provision of healthcare services in this region. The Dubai Department of Health and Medical Services and the Dubai Ministry of Health have recently announced the intention to create Dubai HealthCare City ("DHCC") by 2010. The DHCC is intending to become a world class cluster of healthcare professionals and service providers in one location in Dubai. This is expected to cost over US$1.8bn and will include up to 10 hospitals, both state owned and privately owned. It is the Group's intention, to seek to supply pathology services to some or all of these new hospitals.

The structure of the Acquisition, with the Group being the sole, exclusive referral laboratory for pathology tests from the Welcare Hospital, should, it is hoped, result in a minimum level of net income for the Group for at least the next three years with the ability to expand the range of services offered over the 20 year period of the Services Agreement. In addition, the Services Agreement provides that any hospitals which come under the management or ownership of a Welcare Party during the period of the Services Agreement will be required to give Medical Solutions a first opportunity to provide that hospital with its pathology services. The Directors are aware that a Welcare Party is currently tendering for the management of a number of local hospitals and has recently signed a memorandum of understanding for the management of a 100 bed private hospital to be built in the emirate of Sharjah.

4. Information on the Welcare Pathology Laboratory

History of the Hospital

The Welcare Hospital in Dubai was set up by Welcare Hospital Ltd (BVI) and is managed by Welcare Hospital Management Company Ltd (BVI), and opened in May 1998 to provide specialist private medical treatment. It is one of only two large (more than 100 bed) private hospitals in Dubai (the other being the locally owned "American Hospital"). It has three operating theatres, a multi specialist diagnostic pathology lab (the laboratory being acquired) over 20 fully set medical and surgical departments and in excess of 100 beds. In the eleven months to 28 February 2003, the Hospital treated 94,500 outpatients, its revenue was AED 88.97m (approximately £15.3m) and its bed occupancy rate was 51 per cent. In the financial year to 31 March 2002, the hospital treated 87,316 outpatients, its revenue was AED 72.61m (approximately £12.5m) and its bed occupancy rate was 45 per cent. In the financial year to 31 March 2001, the hospital treated 71,356 outpatients, its revenue was AED 51.98m (approximately £9.0m) and its bed occupancy rate was 30 per cent. In addition to owning and managing the Welcare Hospital, a Welcare Party intends to manage other private hospitals in the region.

The private healthcare market environment in Dubai

The Laboratory will provide all of the pathology services to the Welcare Hospital in Dubai. Dubai is one of seven Emirates that make up the UAE, accounting for approximately 29 per cent. of the population of the UAE. Dubai's population in 2000 was approximately 0.97 million, which was expected to have risen to some 1.11 million in 2002.

There are three types of hospitals in Dubai: the government-owned hospitals, which are run by the Ministry of Health; other government hospitals affiliated to local authorities; and private hospitals. The proportion of patients split between these types of hospitals is estimated to be approximately 57 per cent., 27 per cent. and 16 per cent.

respectively. However, the provision of private health in Dubai is a relatively recent event and the Directors anticipate that it will increase its proportion of overall hospital patients over the next decade, especially with the construction of the DHCC. In addition, the Directors also consider that, in future, a higher percentage of non-UAE nationals are now travelling to the region to have their specialist operations performed privately which will further augment the growth in the number of private patients in the UAE.

The services of the Laboratory

The Laboratory employs 22 staff split between general haematology, medical microbiology and clinical chemistry. The Laboratory services all of the pathology requirements of all of the departments of the Hospital, 24-hours a day, 7 days a week. In the 11 months to 28 February 2003, the Laboratory generated revenues of AED 13.73 million (approximately £2.42 million), an increase of 15 per cent. over the prior full year. The principal tests carried out by the Laboratory in that period, split by revenue, were in the areas of biochemistry (42 per cent.), haematology (13 per cent.) and microbiology (16 per cent.), with the balance being in endocrinology, serology and histopathology. The total number of investigations carried out by the Laboratory in the eleven months to 28 February 2003 was 158,792, an increase of 11 per cent. over the prior full year.

All patients of Welcare who require diagnostic pathology services are currently referred to the Laboratory for their tests, which are either performed directly by the Laboratory or, as is the case for histopathology and cytopathology, outsourced to a third party provider. Accordingly, the Laboratory manages all such tests and the revenue attributed to such tests, including those which are outsourced, are attributed to the Laboratory. These tests have historically accounted for between 15-16 per cent. of the Hospital's total revenue. At present, the Hospital is the Laboratory's principal customer. The Hospital's own customer base can be split broadly into three categories: private individuals (around 50 per cent. by revenue); insurance companies; and corporate entities, such as Emirates Airlines.

Financial information on the Laboratory

The following summary financial information relating to Welcare Pathology Laboratory for the three years 11 months ended 28 February 2003 has been extracted without material adjustment, save for the currency conversion from AED to £ Sterling at the average exchange rate indicated in each year, from the Accountants' Report, which is set out in full in Part IV of this document.

	11 months ended 28 February	*Year ended 31 March*		
	2003	*2002*	*2001*	*2000*
Exchange rate for conversion of turnover and profits (AED/£)	5.67	5.27	5.43	5.92
	£'000	*£'000*	*£'000*	*£'000*
Turnover	2,421	2,270	1,600	951
Gross profit	1,578	1,492	1,100	586
Net profit*	1,469	1,383	1,002	511

* All profits are deemed to be distributed to Welcare Hospital. The Services Agreement will provide for a pro rata payment to Welcare, further details of which are set out in the paragraph headed "The Service Agreement" below.

Shareholders should read the whole of this document and not rely solely on the summarised information above. In particular, Shareholders attention is drawn to the paragraph headed "Going concern" set out in the Accountants' Report on the Laboratory on page 45 of Part IV of this document and to the paragraph headed "Reliance on Welcare Hospital" set out in the Risk Factors in Part II of this document. The continuation of the Hospital's operations, and therefore the Laboratory's operations, has been possible due to the support, including fundings, provided by related parties of the Hospital. The Directors have no reason to doubt that the Hospital will continue to operate for at least the full term of the Services Agreement. Having carefully considered this matter, the Directors consider that this is not a matter of significance to Shareholders and the value of the Laboratory and the associated Services Agreement to the Company justifies the price to be paid for it.

The structure of the Acquisition

Medical Solutions will initially operate the Laboratory through a branch office of the Company. This branch office, operating under the name of MS Dubai, was established in Dubai on 20 May 2003 and was granted the necessary licences to trade in Dubai by the Department of Economic Development, Government of Dubai on 21 May 2003. The trading licence requires renewing every year.

The Company intends to establish a new local subsidiary company of Medical Solutions, MS Dubai Limited. Under the local corporate law of Dubai, MS Dubai Limited will be 49 per cent. owned by Medical Solutions and 51 per cent. owned by a local person/entity (the "Sponsor"). It is expected that the Sponsor for MS Dubai Limited will be a company controlled by the Dubai Government, which will agree to cede all of its rights as a shareholder to Medical Solutions, which should lead to the Laboratory being operated as an effective 100 per cent. owned subsidiary of Medical Solutions. The Group intends to retain the Branch office in Dubai following the migration of the Laboratory's business to the subsidiary.

The Services Agreement

The Services Agreement requires each Welcare Party to procure that hospitals under its ownership or management offer Medical Solutions the opportunity (through the Laboratory or any other laboratory operated by Medical Solutions) to enter into an agreement (on terms similar to those of the Services Agreement itself) to become their sole supplier of pathology services (save for circumstances in which Medical Solutions is unable or unwilling to agree terms for such supply). The Services Agreement contains certain quality standards which the Laboratory must meet. The Services Agreement is for a minimum period of 20 years and thereafter is automatically renewed for periods of five years subject to a notice to terminate of 12 months given to expire at the end of the initial 20 year term, or any such five year period. The Services Agreement provides for an ongoing payment by the Company to Welcare of an amount up to the equivalent of 35 per cent. of the turnover of the Laboratory in return for the provision of certain support services such as human resources and accounting assistance. As part of these arrangements, at no additional cost, Welcare will provide the Group with all of the Laboratory's marketing costs and administration services, including IT and payroll.

Further details of the Services Agreement are set out in paragraph 13.2 of Part VI of this document.

Competition

Under the terms of the Services Agreement, pathology needs of the patients of the Hospital will be exclusively referred to the Laboratory. However, the Directors do recognise that the Hospital itself does compete in the private health care market in Dubai. The Directors consider that there is only one private hospital in Dubai that is a direct competitor to the Welcare Hospital, the American Hospital, which has its own pathology laboratory.

The expected development of the DHCC should bring additional private hospitals to the region and potentially more competition to the Welcare Hospital. Nevertheless, the Directors anticipate that, as a result of the Acquisition, the Laboratory's on-going relationship with Welcare should bring strong local connections in Dubai and the Gulf region. Medical Solutions is also well placed in having access to 60 of the top histopathologists in the UK, and the technology to utilise this resource for the benefit of the Gulf region through Fairfields telepathology systems. These factors should be significant in Medical Solutions securing contracts with the new DHCC hospitals.

5. Reasons for and benefits of the Acquisition

The Acquisition will further strengthen and enhance the Group's range of services offered and widen its geographical areas of operations. The Directors believe that the Group now has an established presence in the provision of cancer pathology services to the UK public markets (the NHS) and that the Acquisition will provide the Group with rapid expansion into the private sector. The Directors believe that Welcare's existing Laboratory, together with the potential to provide further services to other hospitals managed by Welcare and those of the planned DHCC, will add significant critical mass to its existing operations and open up additional market opportunities.

The complementary nature of Welcare's pathology requirements to that of Medical Solutions' existing contracts with NHS trusts in the UK should facilitate its integration into the Group. The Directors intend that, following Completion, a number of its 60 consultant pathologists will undertake a short period of secondment work at the Laboratory during its first year of ownership to assist and enhance its existing resources. The Directors are confident that the services of the Laboratory can be operated more efficiently and economically as a result of its integration into a specialist pathology group.

6. Financial effects of the Acquisition and Subscription and use of proceeds

The assets and liabilities which are the subject of the Acquisition and the revenues and profits attributable to them are set out in Part IV of this document and a pro-forma statement of net assets for the Group, showing the effects of the Acquisition and the Subscription, is included in Part V of this document.

The Directors intend to use the proceeds of the Subscription to continue to expand its services offered both organically and through suitable acquisitions. As at 31 December 2002, the Group reported cash of £16.3 million.

7. Current trading and prospects

As reported in the Company's report and accounts for the year ended 31 December 2002, an extract of the financial information of which is set out in Part III of this document, the Group's operations have transformed significantly over the last 12 months, with the sale of the Pharmaceutical Division and Cellpath and the focus on the provision of cancer diagnostics and pathology services ("CDP"). In 2002, the Group reported growth in CDP, especially in the remote locum service. Trading in both the Group's services division and technology division has continued to be strong since the year-end and the Directors believe that the markets in which the Enlarged Group will operate will remain robust.

As shown in the Accountants' Report for the three years and 11 months ended 28 February 2003, which is shown in Part IV of this document the turnover and net profits of the Laboratory have grown rapidly year on year. Since the accountants' report date, the Laboratory has continued to trade in line with historical growth rates, therefore the Directors, having regard to this, expect the Enlarged Group to show significant revenue growth during the current financial year.

8. Terms of the Acquisition

Under the terms of the Acquisition Agreement, which is conditional, *inter alia* upon the passing of the Resolutions in the Notice of EGM, the Company will acquire the trade and assets of the Welcare Pathology Laboratory for a total consideration of up to £12,000,000 comprising the aggregate of the Initial Consideration of £7,000,000 payable in cash at Completion, the Deferred Consideration of up to £3,000,000 and the Additional Deferred Consideration of up to £2,000,000, payable on each of three anniversaries of Completion subject to certain performance criteria. The total Deferred Consideration is only payable if the Laboratory generates at least the annualised equivalent of £950,000 in repatriable earnings in each of the three years following Completion, that is to say, £1,029,166.66 in the 13-month period to 31 March 2004 and £950,000 in each 12 month period to 31 March 2005 and 31 March 2006. If earnings in any of the three years following Completion exceeds such figures ("the Relevant Amounts"), the Additional Deferred Consideration becomes payable, being 50 per cent. of the excess over the Relevant Amounts up to a maximum Additional Deferred Consideration of £2,000,000. The total consideration will be reduced by £2 for every £1 that the annual repatriable profits are less than the Relevant Amounts in each of the first three years following Completion. The Group will assume the employment contracts of the Laboratory's 22 employees.

The Acquisition Agreement contains certain usual warranties and indemnities to the Company in connection with the Acquisition. The completion of the Acquisition Agreement is conditional on completion of the Subscription.

Further details of the Acquisition Agreement are set out in paragraph 13.1 of Part VI of this document.

9. The Subscription

Under the terms of the Subscription Agreement, Mr. S. Varkey has agreed to subscribe for the Subscription Shares at the Subscription Price on Completion. The £2,000,000 subscription represents approximately 12.6 per cent. of the Company's existing issued share capital and will represent approximately 11.2 per cent. of the Company's enlarged issued share capital following Completion. The Subscription Price of 20p is the average of the closing mid-market price per Ordinary Share on the previous 30 days prior to the Announcement Date. The Subscription Price is at a discount of approximately 13 per cent. to the closing mid-market price per Ordinary Share on the day before the Announcement Date.

The Subscription is conditional, *inter alia*, upon the passing of the Resolutions; each of the Acquisition Documents remaining in full force and effect and becoming wholly unconditional on or prior to Admission; and Admission. The Subscription Shares are not being made available to existing Shareholders.

The Subscription Shares to be issued pursuant to the Subscription Agreement will be credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all future dividends and other distributions declared, paid or made in respect of Ordinary Shares from the date of the Subscription Agreement. Subscription Shares are not being made available in whole or in part to the public and are not being offered or sold in the United States, Canada, South Africa, Australia, Japan or any other jurisdiction where it would be unlawful to do so.

Application has been made to the UK Listing Authority and to the London stock Exchange for the Subscription Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement will commence on 27 June 2003. If the New Shares are not so admitted then, pending Admission, an amount equal to the aggregate Subscription amount is to be lent by the Company to Mr. S. Varkey, as Mr. S. Varkey does not wish to subscribe for New Shares which are not admitted to the Official List or to trading on the London Stock Exchange. The Directors have no reason to doubt that Admission will take place.

Further information on, and details of the parties' obligations and termination rights under, the Subscription Agreement including lock-in provisions are set out in paragraph 13.3 of Part VI of this document.

10. Employee benefit trust ("EBT")

It is proposed that the Company set up an EBT based in Jersey and that it will make payments and/or loans to the EBT. The beneficiaries of the EBT will be employees and former employees of the Group from time to time (and certain of their relatives) (the "Beneficiaries").

The principal purpose of the EBT is to allow existing shares (as opposed to newly issued Shares) to be purchased by the EBT in the market and transferred to Beneficiaries where appropriate, including in satisfaction of the Group's obligations under the Approved Share Option Scheme and the Executive Share Option Scheme.

Further details of the EBT are set out in paragraph 12 of Part VI of this document.

11. Share Certificates and CREST

Subject to the satisfaction of the conditions to the Subscription, the New Shares to be issued pursuant to the Subscription will be registered in the name of Mr. S. Varkey. The Subscription Shares will be in registered form and it is expected that definitive share certificates or CREST equivalents will be dispatched to Mr. S. Varkey within five business days of the commencement of dealings in the Subscription Shares.

12. Notice of Extraordinary General Meeting

You will find at the end of this document a notice convening the Extraordinary General Meeting to be held at 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH on 26 June 2003 at 9.30 a.m.

A Form of Proxy to be used in connection with the Extraordinary General Meeting is enclosed.

The purpose of the meeting is to seek your approval of the resolutions set out in the Notice of the Extraordinary General Meeting. Resolutions will be proposed:

1. that the Acquisition Agreement and the Services Agreement, each as defined in a document (the "Circular") dated 3 June, 2003 comprising listing particulars relating to the Company (collectively "the Dubai Documents") (in each case in the form of the draft produced to the meeting and initialled for the purposes of identification by the Chairman of the meeting, subject to any non-material modifications or non-material amendments thereto as may be approved by any Director duly authorised by the Board of the Company), be approved, and that the Board of the Company be and it is hereby authorised and requested to arrange for the Dubai Documents to be executed on behalf of the Company and the Company be and it is hereby authorised subject to the passing of resolutions numbered 3, 4 and 6 to issue and all of the Consideration Shares (as defined in the Acquisition Agreement);

2. that the Subscription Agreement as defined in the Circular (in the form of the draft produced in the meeting and initialled for the purpose of identification by the Chairman of the meeting, subject to any modifications or amendments thereto as may be approved by any Director duly authorised by the Board of the Company) be approved and that the Board of the Company be and it is hereby authorised and requested to arrange for the Subscription Agreement to be executed on behalf of the Company and the

Company be and it is hereby authorised to issue and allot the New Shares (as defined in the Subscription Agreement) up to an aggregate nominal amount of £200,000.

3. that the authorised share capital of the Company be increased to £2,600,000 by the creation of 30,000,000 Ordinary Shares of 2p (representing an increase of 30 per cent.) each to rank *pari passu* with the existing Ordinary Shares of 2p each of the Company to permit the issue of the Subscription Shares and potentially the Consideration Shares and so as to maintain a reasonable margin of authorised but unissued share capital;

4. that subject to the passing of the resolutions numbered 2 and 3 in this Notice of Extraordinary General Meeting, in substitution for any existing authority the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £811,935 (representing 51.13 per cent. of the existing issued share capital and 45.41 per cent. of the Enlarged Issued Share Capital) provided that this authority will (unless renewed) expire 15 months from that date on which this resolution is passed or the commencement of the Annual General Meeting of the Company called in 2004 whichever first occurs;

5. that the institution of the Medical Solutions Plc Employee Benefit Trust (the "EBT") be approved and accordingly the Directors be authorised to execute as a deed the Medical Solutions Plc EBT Trust Deed and that the Directors be and are hereby authorised to do all acts and things necessary to institute and assist the Trustees in the operation of the EBT (which, for the avoidance of doubt, shall include the making of contributions by the Company to the Trustees of the EBT and to be applied for the purposes of the EBT);

6. that subject to the passing of the resolution numbered 2 above, the Directors be and are herby given power to allot equity securities (within the meaning of section 94 of the Act) as of section 89(1) of the Act did not apply to the allotment, provided that this power is limited to the allotment on or before 31 March 2004 of the New Shares (as defined in the Subscription Agreement) up to an aggregate nominal amount of £200,000; and

7. that subject to the passing of the resolutions numbered 3 and 4 in this Notice of Extraordinary General Meeting, in substitution for any existing authority other than that conferred by resolution numbered 6 above, the Directors of the Company be and are hereby given power to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to the allotment, provided that this power is limited to the allotment of equity securities up to an aggregate nominal amount of £178,806.48 (8,940,324 Ordinary Shares, representing 11.26 per cent. of the existing issued share capital and 10 per cent. of the Enlarged Issued Share Capital) and will (unless renewed) expire 15 months after the date of the passing of this resolution or at the commencement of the Annual General Meeting of the Company held in 2004, whichever first occurs.

   Save for the issue of the Subscription Shares and the Consideration Shares in connection with the Deferred Consideration and the exercise of options under the Share Option Schemes, the Directors have no present intention of issuing any part of the unissued authorised capital pursuant to the above Resolutions.

13. Further information

Your attention is drawn to the further information set out in Parts II to VI of this document.

Shareholders should read the whole of this document and not rely solely on the summarised information above.

14. Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM you are urged to complete, sign and return the Forms of Proxy to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 3UM **so as to arrive as soon as possible and in any event no later than 9.30 am on 24 June 2003.** Completion and return of the Form of Proxy will not preclude Shareholders from attending the EGM and voting in person, should they so wish.

RECOMMENDATIONS

The Directors consider the proposed Acquisition of Welcare Pathology Laboratory and the issue of the Subscription Shares to be in the best interests of Medical Solutions and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings which comprise a total of 1,315,549 Ordinary Shares, representing approximately 1.7 per cent. of Medical Solutions current issued share capital.

Yours faithfully

Sir Gareth Roberts

Non-executive Chairman

PART II

RISK FACTORS

The Acquisition is subject to a number of risks. Accordingly, Shareholders should consider carefully all of the information set out in this document and the risks associated with the Acquisition, including, in particular, the risks described below prior to making any voting decision. The information below does not purport to be an exhaustive list or summary of the risks which the Company may encounter following Completion.

The Company's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company.

No certainty of additional hospitals under the Service Agreement

The Service Agreement provides that during its 20 year period (subject to termination for insolvency/material unremedied default/persistent unremedied default) the Company will be entitled to certain rights to provide pathology services to all hospitals either owned or managed by a Welcare Party. The Welcare Hospital has tendered to manage certain new hospitals in the U.A.E. and has recently signed a memorandum or understanding for the management of a 100 bed hospital in the emirate of Sharjah, as well as expressing an intention to manage other hospitals, for example in India. However, there is no certainty that either Welcare Hospital or any other Welcare Party will in fact obtain any such management contracts.

Reliance on Welcare Hospital

There is no certainty that Welcare Hospital will necessarily remain in business during the 20 year initial period of the Services Agreement. The Hospital, which was set up in 1998, is the sole customer of the Laboratory. To date, the Hospital has incurred a net loss in each of its years of operations, although this loss has been reducing year on year. In the year ended 31 March 2002, the Hospital's net loss was approximately £327,000 and as at 31 March 2002, its net liabilities stood at approximately £18 million. The continuation of the Hospital's operations, and therefore the Laboratory's operations, has been possible due to the support, including fundings, provided by related parties of the Hospital. The Directors have no reason to doubt that the Hospital will continue to operate for at least the full term of the Services Agreement.

International Operations

The Laboratory provides all of its services outside the United Kingdom; it is therefore subject to additional risks relating to operating in foreign countries. These risks include: difficulties managing and administering an overseas business; inability to repatriate earnings of foreign operations; multiple and possibly overlapping future tax structures which could result in significant decreases in the financial performance of foreign operations; export controls or other regulatory restrictions; economic weaknesses or political instability, including the potential for the outbreak of war or terrorist atrocities; foreign currency fluctuations, which could result in increased operating expenses and reduced revenues; and other applicable foreign regulations. There can be no assurance that the additional risks associated with the Company's operations in Dubai will not materially adversely affect its business, financial condition and results of operations.

Renewal of the local trading licence

The trading licence granted to the Group on 21 May 2003 by the Department of Economic Development in Dubai ("DEDD") to operate through a branch office in Dubai requires renewing each year. There is no certainty that the DEDD will renew this licence each year for the duration of the Services Agreement. However, the Directors will endeavour to ensure that the Group complies with all the necessary legal and regulatory requirements of Dubai at all times to permit the DEDD to renew the licence each year.

Establishing a local subsidiary company

The local subsidiary company will be 51 per cent. owned by a Dubai Government entity. Although there is a proposed agreement under which it is intended that 51 per cent. will be held, in essence, on behalf of Medical Solutions, this agreement has not been signed. If it is not signed, then Medical Solutions will have to continue to operate the business of the Laboratory through the existing branch office, which will entail UK corporation tax on income generated in Dubai (as this income will be treated as income of Medical Solutions and thus taxable in the UK). If it is signed, in the event of a disagreement, Medical Solutions will have to take legal proceedings in Dubai against a company controlled by the Dubai Government.

PART III

FINANCIAL INFORMATION ON THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2002.

The financial information contained in this Part III does not constitute statutory accounts within the meaning of section 240 of the Act. Copies of the statutory accounts of Medical Solutions for the two years ended 31 December 2001 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act. The statutory accounts of Medical Solutions for the year ended 31 December 2002 have not yet been delivered to the Registrar of Companies in England and Wales. The financial information for the year ended 31 December 2000, the year ended 31 December 2001 and the year ended 31 December 2002 has been extracted without material adjustment from the audited statutory consolidated accounts of Medical Solutions for those periods.

An unqualified audit report within the meaning of section 235 of the Act has been given in respect of the statutory consolidated accounts for each of the three years ended 31 December 2002. These reports did not contain a statement under section 237(2) or (3) of the Act.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	*2002 £'000*	*2001 £'000*	*2000 £'000*
Turnover				
Continuing operations	2	2,295	1,870	9,820
Discontinued operations	2	14,490	14,230	—
	2	16,785	16,100	9,820
Operating profit (loss)				
Continuing operations	2	(2,113)	(1,502)	(261)
Discontinued operations		721	30	—
Operating profit(loss) before goodwill and know-how amortisation and termination costs		43	(258)	469
Goodwill and know-how amortisation		(1,217)	(1,214)	(730)
Termination costs		(218)	—	—
Operating loss	2	(1,392)	(1,472)	(261)
Profit on disposal of fixed assets, discontinued operations	4	76	—	588
Loss on disposal of discontinued operations	5	(8,678)	—	—
(Loss) profit on ordinary activities before finance charges		(9,994)	(1,472)	327
Finance charges (net)	6	(201)	(136)	101
(Loss) profit on ordinary activities before taxation	7	(10,195)	(1,608)	428
Tax on (loss) profit on ordinary continuing activities		35	509	(64)
Tax on sale of discontinued activities		(2,128)	—	—
Total tax on (loss) profit on ordinary activities	10	(2,093)	509	(64)
(Loss) profit for the financial year		(12,288)	(1,099)	364
(Loss) earnings per ordinary share	30	(15.51)p	(1.39)p	0.55p
Diluted (loss) earnings per ordinary share	30	*(15.51)p*	*(1.39)p*	*0.53p*

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

There are no recognised gains and losses in any year other than the (loss) profit for that year.

BALANCE SHEETS
31 DECEMBER 2002

	Notes	Group 2002 £'000	2001 £'000	2000 £'000
Fixed assets				
Development costs and know-how	11	1,563	3,349	3,085
Goodwill	12	2,447	19,565	20,250
Intangible assets		4,010	22,914	23,335
Tangible assets	13	1,144	3,851	2,669
Investments	14	—	11	12
		5,154	26,776	26,016
Current assets				
Stocks	16	1,027	2,238	2,173
Debtors	17	1,302	3,450	4,209
Cash at bank and in hand		16,320	4,276	5,785
		18,649	9,964	12,167
Creditors: Amounts falling due within one year	18	(5,420)	(6,101)	(7,053)
Net current assets		13,229	3,863	5,114
Total assets less current liabilities		18,383	30,639	31,130
Creditors: Amounts falling due after more than one year	19	(2,355)	(2,421)	(1,514)
Provisions for liabilities and charges		—	—	(299)
Net assets		16,028	28,218	29,317
Capital and reserves				
Called-up share capital	21	1,588	1,579	2,715
Share premium account	22	25,059	24,970	28,527
Merger reserve	22	1,267	1,267	1,267
Other reserve	22	1,136	1,136	—
Profit and loss account	22	(13,022)	(734)	(3,192)
Equity shareholders' funds		16,028	28,218	29,317

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	*2002* *£'000*	*2001* *£'000*	*2000* *£'000*
Net cash (outflow) inflow from operating activities	23	(36)	154	(1,081)
Returns on investments and servicing of finance	24	(198)	(136)	101
Taxation		—	—	(38)
Capital expenditure and financial investment	24	(1,381)	(2,119)	(690)
Acquisitions and disposals	24	12,611	(315)	(15,590)
Cash inflow (outflow) before management of liquid resources and financing		10,996	(2,416)	(17,298)
Financing	24	69	615	21,962
Increase (decrease) in cash in the year	25	11,065	(1,801)	4,664

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout each year with the exception of the policy for deferred taxation where FRS 19 "Deferred Tax" has been implemented during the year to 31 December 2002. No adjustment was required in respect of this implementation in either of the years ended 31 December 2001 nor 2000.

a) Accounting convention

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

b) Basis of consolidation

The consolidated financial statements include the company and all its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries and business undertakings acquired or sold are included in the consolidated profit and loss account for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

c) Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

d) Intangible assets – development costs and know-how

Development costs are written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised from the point of sale of the product over the period during which the group is expected to benefit, which is four years. Development costs on projects in progress are not amortised. Provision is made for any impairment.

Know-how represents the industrial information and techniques bought by the management team which assists directly in the manufacturing of the products. This includes formulations, test reports, operating and testing procedures, instructions on use and information on operating conditions, whether human or in machine-readable form.

e) Tangible assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	–	50 years
Plant and machinery	–	5–15 years
Fixtures and fittings	–	3–10 years
Motor vehicles	–	4 years

f) Government grants

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Government grants of a capital nature are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

g) Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the group are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

h) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow-moving and defective stock.

i) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

j) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

k) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

l) Investments

Fixed asset investments are shown at cost less provision for impairment.

m) Pensions

The group operates defined contribution pension schemes for the benefit of the directors and employees of the group. The assets of the schemes are administered by trustees in funds independent from those of the group.

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Turnover and segmental analysis

	Continuing operations			Discontinued operations			Total		
	2002 £'000	2001 £'000	2000 £'000	2002 £'000	2001 £'000	2000 £'000	2002 £'000	2001 £'000	2000 £'000
Turnover	2,295	1,870	9,820	14,490	14,230	—	16,785	16,100	9,820
Cost of sales	(1,241)	(1,114)	(5,478)	(7,464)	(8,079)	—	(8,705)	(9,193)	(5,478)
Gross profit	1,054	756	4,342	7,026	6,151	—	8,080	6,907	4,342
Selling and distribution costs	(613)	(332)	(1,591)	(3,321)	(2,923)	—	(3,934)	(3,255)	(1,591)
Research and development costs	(474)	(430)	(594)	(419)	(309)	—	(893)	(739)	(594)
Administrative expenses excluding goodwill and know-how amortisation and termination costs	(1,726)	(1,360)	(1,688)	(1,484)	(1,811)	—	(3,210)	(3,171)	(1,688)
Operating (loss) profit before goodwill and know-how amortisation and termination costs	(1,759)	(1,366)	469	1,802	1,108	—	43	(258)	469
Amortisation of goodwill and know-how	(136)	(136)	(730)	(1,081)	(1,078)	—	(1,217)	(1,214)	(730)
Termination costs	(218)	—	—	—	—	—	(218)	—	—
Operating (loss) profit	(2,113)	(1,502)	(261)	721	30		(1,392)	(1,472)	(261)
Profit on sale of fixed assets	—	—	588	76	—	—	76	—	588
Loss on sale of discontinued operations	—	—	—	(8,678)	—	—	(8,678)	—	—
(Loss) profit on ordinary activities before finance charges and taxation	(2,113)	(1,502)	327	(7,881)	30	—	(9,994)	(1,472)	327
Finance charges (net)							(201)	(136)	101
(Loss) profit before taxation							(10,195)	(1,608)	428

In the year to 31 December 2001 the directors reported two business segments, being the Pharmaceutical Division and the Cancer Diagnosis and Pathology Division.

All of the Pharmaceutical Division was discontinued during the year to 31 December 2002. In addition Cellpath plc, which was disclosed with the Cancer Diagnosis and Pathology Division was discontinued. Discontinued operations shown above include the results for the Pharmaceutical Division and for Cellpath plc. The comparatives for the year to 31 December 2001 are disclosed on a consistent basis.

The Directors consider that they now operate in two business segments, namely Services and Technology. In the years to 31 December 2000 and 31 December 2001 these segments formed a part, and were disclosed, in the Cancer Diagnosis and Pathology Division. The continuing operations can be analysed between these two segments as follows, with the prior year comparatives disclosed on a consistent basis.

	Technology		Services		Total	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1,192	1,680	1,103	190	2,295	1,870
Gross profit	643	678	411	78	1,054	756
Operating profit (loss) before goodwill and know-how amortisation and termination costs	(824)	(567)	(329)	(131)	(1,153)	(698)
Amortisation of goodwill and know-how	(125)	(125)	(11)	(11)	(136)	(136)
					(1,289)	(834)
Termination costs					(218)	—
Common costs					(606)	(668)
Operating loss and loss on ordinary activities before finance charges and taxation					(2,113)	(1,502)
Segment net (liabilities) assets	111	1,041	(141)	222	(30)	1,263
Unallocated net assets					16,058	4,929
Discontinued net assets					—	22,026
Net assets					16,028	28,218

Geographical segmental analysis

	2002 Total £'000	2001 Total £'000	2000 Total £'000
Turnover by destination:			
United Kingdom and Republic of Ireland	14,170	13,716	8,026
Other European Union	835	941	519
Rest of Europe	206	372	254
The Americas	228	122	121
Africa	51	84	261
Asia	462	281	505
Other	833	584	134
	16,785	16,100	9,820

All turnover originated within the United Kingdom.

3. Other operating expenses (net)

	2002 £'000	2001 £'000	2000 £'000
Selling and distribution costs	3,934	3,255	1,591
Research and development costs	893	739	594
Administrative expenses	4,645	4,385	2,418
	9,472	8,379	4,603

Included within administrative expenses is £218,000 of termination costs relating to Mr. T.M. Twose, who was paid compensation for loss of office on his resignation as director and Chief Executive Officer of the company on 8 February 2002.

4. Profit on sale of fixed assets, discontinued operations

During the year to 31 December 2002 the group sold a building for £140,000 realising a profit on disposal of £76,000. There is no tax impact.

During the year ended 31 December 2000 Adams sold the rights to sell its licenced povidone iodine product 'Videne' in certain overseas territories, where Adams does not currently operate or plan to operate, for £500,000. This disposal is shown under the caption 'Sale of Fixed Assets' on the consolidated profit and loss account. Also included under this caption is the profit on the sale of property of £100,000

5. Loss on disposal of discontinued operations

On 31 December 2002 the group sold the trade and assets of Adams Healthcare Limited to Ecolab Limited for cash consideration of £14,678,000. The loss on disposal after costs and goodwill write off amounts to £7,753,000. On 13 December 2002 the group sold 100% of the share capital of Cellpath plc to Clinicare Limited for cash consideration of £1,559,000. After costs and goodwill write off the loss on disposal amounted to £1,271,000.

On 19 April 2002 the group sold the trade and assets of the Thackray Instruments and Practice Plus businesses for consideration of £740,000, of which £190,000 was received by the group and a further £550,000 receivable was sold as part of the Cellpath plc disposal. After costs of £123,000 the profit on disposal amounts to £346,000.

The loss on disposal is as follows:

	£'000
Consideration to the group, net of overdraft sold	16,451
Less costs of disposal	(1,391)
Net assets sold	(7,588)
Profit before goodwill write off	7,472
Goodwill write off	(16,150)
Loss on sale	(8,678)
Loss on sale of Adams Healthcare	(7,753)
Loss on sale of Cellpath	(1,271)
Profit on sale of Thackray	346
	(8,678)

There is a tax charge of £2,128,000 relating to the disposal of the Adams Healthcare trade and assets. The other disposals have no tax effect.

6. Finance charges (net)

	2002 *£'000*	*2001* *£'000*	*2000* *£'000*
Interest receivable and similar income	63	113	136
Bank loans and overdrafts	(241)	(214)	—
Finance leases and hire purchase contracts	(23)	(35)	(32)
Interest on late payment of tax	—	—	(3)
	(201)	(136)	101

7. *(Loss) profit on ordinary activities before taxation*

(Loss) profit on ordinary activities before taxation is stated after charging (crediting):

	2002	*2001*	*2000*
	£'000	*£'000*	*£'000*
Depreciation of tangible fixed assets			
– owned	432	323	223
– held under finance leases and hire purchase contracts	159	100	56
Amortisation of development costs	183	150	67
Amortisation of goodwill	1,067	1,063	597
Amortisation of know-how	150	150	133
Termination costs	218	—	—
Loss on sale of businesses	8,678	—	—
Profit on sale of fixed assets	(76)	—	(588)
Operating lease rentals			
– plant and machinery	9	—	16
– other	220	231	148
Auditors' remuneration			
– audit services	45	48	53
– other services	109	19	122
Research and development costs expensed	*710*	*589*	*527*

8. **Staff costs**

The average monthly number of employees (including executive directors) during the year was:

	2002	*2001*	*2000*
	Number	*Number*	*Number*
Management	11	15	13
Administration and finance	42	40	42
Production, development and technical	93	108	65
Sales and marketing	20	41	25
	166	204	145

Their aggregate remuneration comprised:

	2002	*2001*	*2000*
	£'000	*£'000*	*£'000*
Wages and salaries	4,871	3,696	2,406
Social security costs	451	340	221
Other pension costs	121	73	63
	5,443	4,109	2,690
Less amounts recharged to third parties	(66)	(18)	—
Less amounts capitalised	(289)	(242)	—
	5,088	3,849	2,690

9. Directors' remuneration

Directors' emoluments and compensation for the year to 31 December 2002 comprise:

	Fees/basic salary £'000	*Compensation for loss of office £'000*	*Pension contributions £'000*	*Bonus £'000*	*Taxable benefits in kind £'000*	*Total 2002 £'000*	*Total 2001 £'000*
Executive directors							
R.H. Adams (resigned 21 January 2003)	114	140	7	80	14	355	127
A.D. Longstaffe	93	—	5	40	12	150	105
T.M. Twose (resigned 8 February 2002)	15	193	—	—	13	221	150
C.A. Green	112	—	—	40	—	152	25
Non Executive Directors							
Sir G.G. Roberts	33	—	—	—	7	40	35
D.E. Seymour (resigned 22 April 2002)	6	—	—	—	—	6	15
K. Sikora (appointed 22 April 2002)	20	—	—	—	—	20	2
	393	333	12	160	46	944	459
Fees from third parties						—	(19)
						944	440

On 25 March 2002 Mr. C.A. Green became an executive director. He was previously a non-executive director. Of the £152,000 remuneration, £2,500 was related to C.A. Green services as a non-executive director.

No bonuses were paid in respect of the prior year.

Of the amounts disclosed above, £152,450 (2001 – £2,500) was paid to a third party, Searby Farming Company, on behalf of C.A. Green.

Mr. T.W. Twose was paid £193,000 compensation and was reimbursed £12,500 in respect of his legal costs, for loss of office on his resignation as director and Chief Executive Officer of the company on 8 February 2002. In addition, the company incurred £12,500 of related legal costs.

Fees received from third parties in the prior year include £10,000 from Cytocell Plc and £9,383 from EPTTCO in respect of directors' services provided by T.M. Twose.

The directors hold options under the unapproved share option scheme authorised by shareholders on 23 August 1999 as follows:

	Date Granted	*Number*	*Option Price*	*First Exercisable Date*	*Last Exerciable Date*
C.A. Green	September 29, 1999	416,667	48p	September 28, 2002	September 28, 2009
G.G. Roberts	November 2, 2000	89,286	112p	November 1, 2003	November 1, 2010
A.D. Longstaffe	November 2, 2000	241,071	112p	November 1, 2003	November 1, 2010
	March 26, 2001	89,552	100.5p	March 27, 2004	March 27, 2011

No directors exercised share options during the year.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year. The performance criteria are set out before in Share Option section of this remuneration report.

The market price of the ordinary shares at 31 December 2002 was 19.5p and the range during the year was 14.75p to 31.0p.

Directors' pension entitlements

Two directors were members of money purchase schemes during the year. Contributions paid by the company in respect of such directors were as follows:

	2002 £	*2001* £
Rod Adams	7,000	6,000
Andy Longstaffe	5,000	4,000

Directors' emoluments and compensation for the year to 31 December 2001 comprise:

	Fees/basic salary £'000	*Pension contributions £'000*	*Taxable benefits in kind £'000*	*Total 2001 £'000*	*Total 2000 £'000*
Executive directors					
R.H. Adams	110	6	11	127	79
A.D. Longstaffe	90	4	11	105	63
T.M. Twose (resigned 8 February 2002)	130	8	12	150	—
Non Executive Directors					
Sir G.G. Roberts	25	—	10	35	—
C.A. Green	22	—	1	23	110
D.E. Seymour	15	—	—	15	16
A.M. McDonald (resigned 28 February 2001)	2	—	—	2	—
	394	18	45	457	268
Fees to third parties				2	22
Fees from third parties				(19)	—
				440	290

No bonuses were paid in respect of the current year.

Fees paid to third parties include £2,500 to Searby Farming Company, on behalf of C.A. Green.

Fees received from third parties include £10,000 from Cytocell Plc and £9,383 from EPTTCO in respect of directors services provided by T.M. Twose.

Mr. T.M. Twose was paid £193,000 compensation for loss of office on his resignation as a director and Chief Executive Officer of the Company on 8 February 2002.

The directors hold options under the unapproved share option scheme authorised by shareholders on 23 August 1999 as follows:

	Date Granted	*Number*	*Option Price*	*First Exercisable Date*	*Last Exercisable Date*
C.A. Green	September 29, 1999	416,667	48p	September 28, 2002	September 28, 2009
G.G. Roberts	November 2,2000	89,286	112p	November 1, 2003	November 1, 2010
R.H. Adams	November 2, 2000	294,643	112p	November 1, 2003	November 1, 2010
	March 26, 2001	109,452	100.5p	March 27, 2004	March 27, 2011
A.D. Longstaffe	November 2, 2000	241,071	112p	November 1, 2003	November 1, 2010
	March 26, 2001	89,552	100.5p	March 27, 2004	March 27, 2011
T.M. Twose*	March 26, 2001	517,412	100.5p	March 27, 2004	March 27, 2011

*On 8 February 2002 Trevor Twose resigned as a director of the company and his options therefore lapsed.

No other directors held share options in the company.

Directors' pension entitlements

One director, E.J. Cater, continues to be a member of the defined benefit pension scheme of a former subsidiary, which is administered by the Standard Life Assurance Company. The accrued pension as at 31 December 2001 was £9,648 (2000 – £9,648).

The normal pensionable age is 65 and the pension arrangements provide for a maximum pension of two thirds annual earnings. From his normal retirement date, upon the director's death, his spouse is eligible for a pension of two thirds of the amount previously paid.

In the event of death in service, a pension equal to four ninths of the director's pensionable earnings will be paid to his spouse. There are no early retirement rights or options. Other than the statutory increases the scheme rules do not make any provision for increases in pension payments after the normal retirement date.

Directors emoluments and compensation for the year to 31 December 2000 comprise:

	Fees/basic salary £'000	*Pension contributions £'000*	*Bonus payment £'000*	*Taxable benefits in kind £'000*	*Total 2000 £'000*
Executive directors					
E.J. Cater(resigned 27 July 2000)	41*	—	15	—	56
C. Green	70	—	35	5	110
N. Clinch(resigned 19 April 2000)	21	—	—	—	21
C.A.R. Gillams	—	—	—	—	—
R.H. Adams	67	5	—	7	79
A.D. Longstaffe	53	3	—	7	63
Non Executive Directors					
A.M. McDonald	—	—	—	—	—
S.G. Thomson (resigned 19 April 2000)	—	—	—	—	—
Sir G.G. Roberts	—	—	—	—	—
D.E. Seymour	16	—	—	—	16
	268	8	50	19	345
Fees to third parties					22
					367

C.A. Green was the highest paid director in the year to 31 December 2000 with total fees paid £110,636.

*E.J. Cater fees include an ex-gratia payment of £30,000.

Fees to third parties include £12,026 paid in fees to SGT Services, on behalf of S.G. Thomson and £10,000 payable to Texas Holdings Limited on behalf of A.M. McDonald.

Directors' pension entitlements

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. The details of the share options held by the directors are disclosed below.

	Increase in accrued pension excluding inflation £	*Accrued transfer value of increase £*	*Accrued pension 31 December 2000 £*	*Accrued pension 31 December 1999 £*
E.J. Cater	—	—	9,648	9,648

One director continues to be a member of the defined benefit pension scheme of a former subsidiary, which is administered by the Standard Life Assurance Company.

The normal pensionable age is 65 and the pension arrangements provide for a maximum pension of two thirds actual earnings. From his normal retirement date, upon the director's death, his spouse is eligible for a pension of two thirds of the amount previously paid.

In the event of death in service, a pension equal to four ninths of the director's pensionable earnings will be paid to his spouse. There are no early retirement rights or options. Other than the statutory increase the scheme rules do not make any provision for increases in pension payments after the normal retirement date.

The directors hold options under the unapproved share option scheme authorised by shareholders on 23 August 1999 as follows:

	Date Granted	*Number*	*Option Price*	*First Exercisable Date*	*Last Exercisable Date*
C.A. Green	September 29, 1999	416,667	48p	September 28, 2002	September 28, 2009
G.G. Roberts	November 2, 2000	89,286	112p	November 1, 2003	November 1, 2010
R.H. Adams	November 2, 2000	294,643	112p	November 1, 2003	November 1, 2010
A.D. Longstaffe	November 2, 2000	241,071	112p	November 1, 2003	November 1, 2010

10. Tax on loss on ordinary activities

The tax charge (credit) comprises:

	2002 £'000	*2001 £'000*	*2000 £'000*
UK corporation tax	2,093	—	210
Adjustments in respect of previous periods			
– UK corporation tax	—	(210)	(146)
Total current tax	2,093	(210)	64
Deferred tax			
Origination and reversal of timing differences	—	(299)	—
Total tax on loss on ordinary activities	2,093	(509)	64

The charge to UK corporation tax in the year to 31 December 2002 includes £2,128,000 relating to the disposal of the trade and assets of Adams Healthcare.

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2002 £'000	*2001 £'000*
Group loss on ordinary activities before tax	10,195	1,608
Tax on group loss on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	(3,059)	(482)
Effects of:		
Gain on businesses sold not taxable	(594)	—
Goodwill on business sold	4,886	—
Goodwill and know-how amortisation not deductible for tax purposes	365	364
Other expenses not deductible for tax	402	118
Capital allowances in excess of depreciation		93
Adjustments in respect of previous periods	—	(210)
Group current tax charge (credit) for the year	2,093	(210)

Losses within the parent company and certain subsidiaries which are available for relief against future profits of the same trade are approximately £1,300,000 (2001 – £2,505,000).

Deferred tax

Not provided deferred tax is as follows:

	2002 £'000	2001 £'000
Group		
Accelerated capital allowances	64	157
Other timing differences	(3)	(1)
Tax losses available	(390)	(751)
Potential deferred tax asset	(329)	(595)
Company		
Accelerated capital allowances	(1)	—
Tax losses available	(390)	(751)
Potential deferred tax asset	(391)	(751)

The deferred tax asset is not recognised as the Group does not anticipate taxable profits arising within the immediate future.

11. Intangible fixed assets – development costs and know-how

Group

	Development costs £'000	Know-how £'000	Total £'000
Cost			
At 1 January 2001	1,218	3,000	4,218
Additions	434	130	564
At 1 January 2002	1,652	3,130	4,782
Additions	539	—	539
Reclassification	88	(88)	—
Disposals	—	(3,042)	(3,042)
At 31 December 2002	2,279	—	2,279
Amortisation			
At 1 January 2001	383	750	1,133
Charge for the year	150	150	300
At 1 January 2002	533	900	1,433
Charge for the year	183	150	333
Disposals	—	(1,050)	(1,050)
At 31 December 2002	716	—	716
Net book value			
At 31 December 2002	1,563	—	1,563
At 1 January 2002	1,119	2,230	3,349
At 1 January 2001	835	2,250	3,085

Included in the capitalised development costs there is a balance of £793,000 (2001 – £630,000) in relation to Fairfield DNA nucleotpying. Sales are expected to commence in 2003, from which date the related costs will be written off over 4 years.

Also included in capitalised development costs is a balance of £168,000 (2001 – £90,000) relating to the development of the Pathsight Virtual Microscope technology. Sales are expected to commence in 2003, from which date the related costs will be written off over 4 years.

12. Intangible fixed assets – goodwill

Group

	£'000
Cost	
At 1 January 2001	21,180
Additions	378
At 1 January 2002	21,558
Disposals	(18,838)
Additions	98
At 31 December 2002	2,818
Amortisation	
At 1 January 2001	930
Charge for the year	1,063
At 1 January 2002	1,993
Charge for the year	1,067
Disposals	(2,689)
At 31 December 2002	371
Net book value	
At 31 December 2002	2,447
At 1 January 2002	19,565
At 1 January 2001	20,250

Goodwill disposed of during the year relates to the sale of the businesses of Adams Healthcare Limited, Cellpath plc and Thackery and Practice Plus.

13. Tangible fixed assets

Group

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2001	1,426	1,472	1,425	169	4,492
Additions	743	306	542	105	1,696
Disposals	—	(403)	(132)	(112)	(647)
At 1 January 2002	2,169	1,375	1,835	162	5,541
Additions	120	336	712	35	1,203
Disposal of businesses	(2,149)	(1,179)	(1,494)	(36)	(4,858)
Disposals	(140)	(33)	(169)	(93)	(435)
At 31 December 2002	—	499	884	68	1,451
Depreciation					
At 1 January 2001	144	755	830	94	1,823
Charge for the year	54	129	218	22	423
Disposals	—	(380)	(118)	(58)	(556)
At 1 January 2002	198	504	930	58	1,690
Charge for the year	66	197	298	30	591
Disposal of businesses	(200)	(648)	(950)	(16)	(1,814)
Disposals	(64)	(25)	(34)	(37)	(160)
At 31 December 2002	—	28	244	35	307
Net book value					
At 31 December 2002	—	471	640	33	1,144
At 1 January 2002	1,971	871	905	104	3,851
At 1 January 2001	1,282	717	595	75	2,669

There is no material difference between the market valuation and the historic cost of freehold buildings. The total net book value of fixed assets includes £30,000 (2001 – £409,507) of assets held under finance leases and hire purchase contracts.

14. Fixed assets investments

Group

	£'000
Cost	
At 1 January 2002 and 31 December 2002	11
Provisions	
At 1 January 2002	—
Impairment	(11)
At 31 December 2002	(11)
Net book value	
At 31 December 2002	—
At 1 January 2002	11
At 1 January 2001	12

The Group investment in Data-og Billedsystemer AS was impaired in the year to 31 December 2002 to £Nil.

The subsidiary undertakings of Medical Solutions plc and their respective activities were as follows at 31 December 2002:

	Country of incorporation	*Principal activity*	*Percentage held*
Fairfield Imaging Limited	England	Marketing and sale of microscopy hardware and software and image analysis and management systems, development of intellectual property in a cancer diagnosis/ prognosis system and development, support and assembly of diagnostic telepathology workstations	100%
Fairfield Research Limited	England	Dormant	100%*
Fairfield Telepathology Limited	England	Dormant	100%*
Adams Healthcare Limited	England	Non-trading following sales of trade and assets on 31 December 2002.	100%
Kinetic Imaging Limited	England	Provision of computerised systems and equipment together with consultancy services for medical research.	100%
Quinoderm Limited	England	Dormant	100%
Second Opinion Solutions AS	Norway	Holds intellectual property	75.3%
PathLore Limited	England	Provision of Pathology Services.	100%
Histological Solutions Limited	England	Dormant	100%

* held indirectly

15. Disposal of businesses

On 31 December 2002 the group sold the trade and assets of Adams Healthcare Limited to Ecolab Limited. On 13 December 2002 the group sold its 100% interest in the ordinary share capital of Cellpath plc to Clinicare Limited. On 19 April 2002 the group disposed of the trade and assets of Thackray Instruments and PracticePlus. The results of the businesses sold up to the dates of disposal are disclosed within the Group profit and loss account as discontinued operations.

Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed assets (including know-how of £1,992,000)	5,036
Current assets	4,830
Current liabilities	(2,171)
Finance leases	(130)
Net assets	7,565
Related goodwill	16,149
Loss on sale	(8,678)
Sale proceeds	15,036
Satisfied by:	
Cash	16,427
Less costs of disposal paid	(1,003)
Net cash consideration	15,424
Less costs of disposal accrued	(388)
Net consideration	15,036

16. Stocks

	2002	*2001*
Group	*£'000*	*£'000*
Raw materials and consumables	6	714
Work in progress	78	50
Finished goods and goods for resale	943	1,474
	1,027	2,238

The directors consider that the difference between the amounts shown and the replacement cost is not significant.

17. Debtors

Amounts falling due within one year:

	Group 2002 £'000	Group 2001 £'000
Trade debtors	744	2,908
Amounts owed by group undertakings	—	—
VAT	229	32
Other debtors	299	101
Prepayments and accrued income	30	409
	1,302	3,450

18. Creditors: Amounts falling due within one year

	Group 2002 £'000	Group 2001 £'000
Bank loans and overdrafts	2,038	938
Finance leases and hire purchase contracts	9	125
Trade creditors	634	1,088
Amounts owed to group undertakings	—	—
Corporation tax	2,137	11
Other taxes and social security	65	324
Other creditors	34	34
Accruals and deferred income	503	720
Deferred consideration	—	2,861
	5,420	6,101

The deferred consideration representing the loan notes issued on Quinoderm Limited acquisitions in 2000 was paid in full on 30 June 2002.

19. Creditors: Amounts falling due after one year

	2002 £'000	2001 £'000
Group		
Bank loans	2,334	2,235
Finance leases and hire purchase contracts	21	186
	2,355	2,421

	2002 £'000	2001 £'000
Bank loans		
Within one year	550	429
Between one and two years	550	857
Between two and five years	1,784	1,378
	2,884	2,664

Bank loans of £2,244,000 are secured by fixed and floating charges over the assets of Adams Healthcare Limited.

A bank loan of £640,000 represents a chattel mortgage secured over certain assets of PathLore Limited.

	2002	*2001*
	£'000	*£'000*
Finance leases and hire purchase contracts		
Between one and two years	11	135
Between two and five years	13	65
	24	200
Less: finance charges allocated to future periods	(3)	(14)
	21	186

20. Derivatives and other financial instruments

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 *Derivatives and Other Financial Instruments: Disclosures* (FRS 13). Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Liquidity

The group's overall objective is to ensure that it is, at all times, able to meet its financial commitments as and when they fall due.

Interest rate profile

The group's exposure to interest rate fluctuations is managed by fixing interest rates in the short to medium term on borrowings. The interest rate profiles on cash and borrowings are shown below. The fair value of financial assets and liabilities is not materially different from their carrying values.

Cash

There were no balances on short-term deposit at the year end (2001 – £3,200,000, 2000 – £5,614,000). The available cash at 31 December 2002, derived from disposals of Cellpath plc and Adams Healthcare Limited net assets on 13 December 2002 and 31 December 2002 respectively, was deposited at solicitors' escrow accounts.

Borrowings

There was also an overdraft of £1,488,000 at the year-end (2001 – £509,000, 2000 – £217,000). The overdraft is payable on demand.

The bank loan of £2,244,000 is stated net of £115,560 finance costs capitalised as allowed by FRS4. The total finance costs of £161,207 were capitalised in 2001 and are amortised over the duration of loan which is seven years.

There are no un-drawn committed borrowing facilities available to the Group as at 31 December 2002.

Currency exposure

Where possible the group invoices in sterling to mitigate currency exposure. In situations where invoices are raised in other currencies, the group seeks to minimise its risk by its pricing policy.

21. Share capital

	2002		2001	
	Number	*£'000*	*Number*	*£'000*
Authorised				
Ordinary shares of 2p	100,000,000	2,000	100,000,000	2,000
Allotted, called-up and fully paid				
Ordinary shares of 2p	79,403,240	1,588	78,958,232	1,579

On 24 June 2002 the company issued 445,008 ordinary 2p shares as consideration for the acquisition of Histological Solutions Limited.

Details of the options as at 31 December 2002 are as follows:

Note	*Ordinary shares at 31 December 2001*	*Granted during the year*	*Lapsed during the Year*	*Ordinary shares at 31 December 2002*	*Exercise price*	*Date exercisable*	*Expiry date*
1)	75,000	—	—	75,000	44p	28.09.2002	28.09.2009
2)	416,667	—	—	416,667	48p	28.09.2002	28.09.2009
2)	68,750	—	—	68,750	132p	4.04.2003	4.04.2010
2)	145,000	—	(58,750)	86,250	124p	9.05.2003	9.05.2010
2)	733,835	—	—	733,835	133p	15.8.2003	15.8.2010
3)	190,172	—	—	190,172	133p	30.9.2003	30.9.2010
2)	892,857	—	—	892,857	112p	1.11.2003	1.11.2010
2)	880,597	—	(517,413)	363,184	100.5p	27.3.2004	27.3.2011
2)	463,868	—	—	463,868	52.5p	11.7.2004	11.7.2011
2)	—	125,000	(100,000)	25,000	27.75p	25.3.2005	25.03.2012

Details of the options as at 31 December 2001 are as follows:

Note	*Ordinary shares at 31 December 2000*	*Granted during the year*	*Ordinary shares at 31 December 2001*	*Exercise price*	*Date exercisable*	*Expiry date*
1)	75,000	—	75,000	44p	28.09.2002	28.09.2009
2)	416,667	—	416,667	48p	28.09.2002	28.09.2009
2)	68,750	—	68,750	132p	4.04.2003	4.04.2010
2)	145,000	—	145,000	124p	9.05.2003	9.05.2010
2)	733,835	—	733,835	133p	15.8.2003	15.8.2010
3)	190,172	—	190,172	133p	30.9.2003	30.9.2010
2)	892,857	—	892,857	112p	1.11.2003	1.11.2010
2)	—	880,597	890,597	100.5p	27.3.2004	27.3.2011

note 1) – granted under the approved share option scheme

note 2) – granted under the unapproved share option scheme

note 3) – granted under the approved SAYE share option scheme

On 31 January 2001 the Court approved the cancellation of the deferred shares in issue. The rights attaching to these deferred shares, which are not listed or quoted on any recognised stock exchange, are minimal, thereby rendering them effectively valueless. The cancelled nominal value of the shares of £1,136,000 was credited to non-distributable other reserves (see note 22).

On 27 March 2001, the authorised share capital of the company was increased by the creation of an additional 15,000,000 ordinary shares of 2p each.

22. Reconciliation of movement in shareholders' funds and reserves

Group

	Share capital £'000	*Share premium account £'000*	*Merger reserve £'000*	*Other reserve £'000*	*Profit and loss account £'000*	*Total shareholders' funds £'000*
At 1 January 2001	2,715	28,527	1,267	—	(3,192)	29,317
Capital redemption scheme	—	(3,557)	—	—	3,557	—
Cancellation of deferred shares	(1,136)	—	—	1,136	—	—
Loss for the year	—	—	—	—	(1,099)	(1,099)
At 1 January 2002	1,579	24,970	1,267	1,136	(734)	28,218
Shares issued	9	89	—	—	—	98
Loss for the year	—	—	—	—	(12,288)	(12,288)
At 31 December 2002	1,588	25,059	1,267	1,136	(13,022)	16,028

23. Reconciliation of operating loss to operating cash (outflow) inflow

	2002 £'000	*2001 £'000*	*2000 £'000*
Operating (loss)/profit	(1,392)	(1,472)	327
Goodwill amortisation	1,067	1,063	730
Depreciation charges	591	423	279
Amortisation of development costs and know-how	333	300	67
Profit on sale of fixed assets	—	—	100
Increase in stocks	(732)	(65)	(644)
(Increase) decrease in debtors	(737)	759	(1,712)
Increase (decrease) in creditors	834	(854)	(228)
Net cash (outflow) inflow from operating activities	(36)	154	(1,081)

For the year to 31 December 2002 net cash inflow from operating activities of discontinued operations amounted to £1,255,000.

24. Analysis of cash flows

	2002 £'000	2002 £'000	2000 £'000
Returns on investments and servicing of finance			
Interest received	63	113	239
Interest paid	(238)	(214)	(103)
Interest element of finance leases and hire purchase rental payments	(23)	(35)	(35)
Net cash (outflow) inflow	(198)	(136)	101
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(982)	(1,697)	(476)
Capitalisation of development costs	(539)	(434)	(444)
Sale of tangible fixed assets	140	12	230
Net cash outflow	(1,381)	(2,119)	(690)
Acquisitions and disposals			
Deferred consideration for acquisitions in prior years	(2,837)	—	—
Sale of businesses (including overdraft sold)	15,448	—	—
Purchase of subsidiary undertakings	—	(180)	(14,281)
Acquisition expenses	—	(135)	(1,404)
Net overdrafts acquired with businesses	—	—	95
Net cash outflow	12,611	(315)	(15,590)
Financing			
Issue of ordinary share capital	—	—	22,570
Share issue expenses	—	—	(33)
Capital element of finance leases and hire purchase rental payments	(151)	(97)	(66)
Increase/(decrease) in short-term borrowings	21	(187)	(39)
Increase/(decrease) in long-term borrowings	199	899	(470)
Net cash inflow	69	615	21,962

25. Analysis and reconciliation of net funds

	At 1 January 2002 £'000	Cash flow £'000	Other Non-cash changes £'000	Disposals £'000	At 31 December 2002 £'000
Cash in hand and at bank	4,276	12,044	—	—	16,320
Overdrafts	(509)	(979)	—	—	(1,488)
	3,767	11,065	—	—	14,832
Debt due after one year	(2,235)	(199)	100	—	(2,334)
Debt due within one year	(429)	(21)	(100)	—	(550)
Finance leases	(311)	151	—	130	(30)
	(2,975)	(69)	—	130	(2,914)
Total	792	10,996	—	130	11,918

	At 1 January 2001 £'000	Cash flow £'000	Other Non-cash changes £'000	At 31 December 2001 £'000
Cash in hand and at bank	5,785	(1,509)	—	4,276
Overdrafts	(217)	(292)	—	(509)
	5,568	(1,801)	—	3,767
Debt due after one year	(1,336)	(899)	—	(2,235)
Debt due within one year	(616)	187	—	(429)
Finance leases	(275)	97	(133)	(311)
	(2,227)	(615)	(133)	(2,975)
Total	3,341	(2,416)	(133)	792

	At 1 January 2000 £'000	Cash flow £'000	Other Non-cash changes £'000	Acquisitions £'000	At 31 December 2000 £'000
Cash in hand and at bank	941	4,844	—	—	5,785
Overdrafts	(37)	(180)	—	—	(217)
	904	4,664	—	—	5,568
Debt due after one year	(15)	470	—	(1,791)	(1,336)
Debt due within one year	(39)	39	—	(616)	(616)
Finance leases	(18)	66	(21)	(302)	(275)
	(72)	575	(21)	(2,709)	(2,227)
Total	832	5,239	(21)	(2,709)	3,341

	2002 £'000	2001 £'000	2000 £'000
Increase (decrease) in cash in the year	11,065	(1,801)	4,664
Cash (inflow) outflow from increase in debt and lease financing	(69)	(615)	575
Change in net debt funds resulting from cash flows	10,996	(2,416)	5,239
Loans and finance leases acquired with subsidiaries	—	—	(2,709)
Finance leases disposed with subsidiaries	130	—	—
New finance leases	—	(133)	(21)
Movement in net funds in year	11,126	(2,549)	2,509
Net funds at 1 January	792	3,341	832
Net funds at 31 December	11,918	792	3,341

Major non-cash transactions

On 24 June 2002 the company issued 445,008 ordinary 2p shares as consideration for the acquisition of Histological Solutions Limited. The market value of the shares issued was £97,902.

26. Financial commitments

Contracted, but not provided capital commitments as at 31 December 2002 were £Nil (2001 – £Nil, 2000 – £Nil).

The group is committed to making the following payments during the next year under non-cancellable operating leases:

	2002		*2001*		*2000*	
	Land and buildings £'000	*Motor vehicles and other £'000*	*Land and buildings £'000*	*Motor vehicles and other £'000*	*Land and buildings £'000*	*Motor vehicles and other £'000*
Date of lease termination						
– within one year	—	—	—	38	—	—
– between two to five years	66	21	76	105	156	15

27. Pension arrangements

The group operates a defined contribution pension scheme for which pension costs charge for the year amounted to £121,000 (2001 – £73,000, 2000 – £63,000).

28. Contingencies

Company

Under the terms of the group's current bank facilities, the company was liable for the repayment and discharge of all monies owing in respect of the bank borrowings of all subsidiary undertakings. At 31 December 2002 this amounted to £3,732,000 (2001 – £3,173,000, 2000 – £2,169,000).

There is deferred contingent consideration payable in respect of PathLore Limited acquisition in 2000 up to a total £400,000. In accordance to the deed dated 24 January 2001 between Medical Solutions plc and Dr Ian Ellis containing the restrictive covenant and consideration, the first £200,000 payment shall be due when the operating profit of Medical Solutions plc and its subsidiaries (derived from turnover less cost of sales and other operating expenses only) as shown by the consolidated accounts of Medical Solutions plc ("the Operating Profit") for any financial year ending prior to 31 December 2005 shall reach £300,000 with the second £200,000 when the Medical Solutions plc Operating Profits reaches £600,000, for any financial year ending prior 31 December 2006. In the event of any sale of any business or subsidiary of the Medical Solutions plc group during the period of the Deed or any change in the accounting reference date of Medical Solutions plc or any of its subsidiaries, the terms of the Deed shall be further adjusted so as to ensure that Dr I. Ellis is not prejudiced by the sale or the change in accounting reference date.

29. Related party transactions

For the year ended 31 December 2002 N. Clinch who was at that time a substantial shareholder of the company as disclosed in the Directors' report, received a salary of £62,619 in the year in respect of his directorship of the company's subsidiary Fairfield Imaging Limited.

For the year ended 31 December 2001, trade debtors includes an amount of £51,490 due from Mr. A.M. McDonald in respect of funding for the Fairfield Telecolposcopy trial being carried out by Birmingham City Hospital.

Mr. A.M. McDonald is interested in the shares held by Texas Holdings Limited, a company controlled by him, his wife and brother and family trusts.

For the year ended 31 December 2000 Sir G.G. Roberts was the Vice Chancellor of Sheffield University with which Fairfield Imaging Limited has a collaboration agreement. Under the terms of the Sheffield Agreement, the company and Sheffield University shall identify areas of mutual interest, particularly in the field of medical instrumentation and work together to research, evaluate and commercialise any suitable resulting products. Sir G.G. Roberts agreed that his annual Non-Executive Director's fee was paid to Sheffield University until 31 December 2000 when he ceased to be the Vice Chancellor of the University.

A charge of £100,000 was made to Texas Holdings Limited in the period for C A Greens work in placing the company's shares held by Texas.

Mr. A.M. McDonald is interested in the shares held by Texas Holdings Limited, a company controlled by him, his wife and brother and family trust.

30. (Loss)/earnings per ordinary share

The calculations of (loss)/earnings per share are based on the following profits and number of shares.

	2002	*2001*	*2000*
	£'000	*£'000*	*£'000*
(Loss)/earnings for the financial year	(12,288)	(1,099)	364
Weighted average number of shares:			
For basis earnings per share	79,187,442	78,958,232	66,437,959
Weighted average number of shares for diluted earnings per share	79,187,442	78,958,232	68,960,240

Share options are not taken into account when calculating the diluted earnings per share as, on conversion to ordinary shares, they would decrease the loss per ordinary share, hence are not considered as dilutive.

31. Dividends

The Company has not declared or paid a dividend in the three years ended 31 December 2002.

PART IV

ACCOUNTANTS' REPORT ON THE WELCARE PATHOLOGY LABORATORY FOR THE *THREE YEARS AND 11 MONTHS ENDED 28 FEBRUARY 2003*

KPMG

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

The Directors
Medical Solutions plc
1 Orchard Place
Nottingham Business Park
Nottingham
NG8 6PX

The Directors
Evolution Beeson Gregory Limited
The Registry,
Royal Mint Court
London
EC3N 4LB

3 June 2003

Dear Sirs

Welcare Pathology Laboratory

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Class 1 circular dated 3 June 2003 ("the Circular") of Medical Solutions plc ("the Company").

Basis of preparation

The financial information set out below is based on the audited special purpose financial statements of Welcare Pathology Laboratory ("the Laboratory") for the three years ended 31 March 2002 and the 11 month period ended 28 February 2003 prepared on the basis described in note 3 on page 47 of the Circular after making such adjustments as we consider necessary.

Responsibility

Such financial statements are the responsibility of the directors of Welcare Hospital LLC, who approved their issue.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by the auditors relating to the audit of the special purpose financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the special purpose accounts underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 of the financial information concerning the uncertainty as to the continuation and adequacy of the funding support for Welcare Hospital LLC ("the Hospital") of which the Laboratory forms a part and which is the sole customer of the Laboratory. The Hospital is reliant for funding upon the related parties and their principal shareholder. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Laboratory as at the dates stated and of its profits and cash flows for the periods then ended.

PROFIT AND LOSS ACCOUNTS

	Note	*11 months ended 28 Feb 2003 AED'000*	*Year ended 31 March 2002 AED'000*	*Year ended 31 March 2001 AED'000*	*Year ended 31 March 2000 AED'000*
Turnover		13,728	11,962	8,687	5,632
Cost of Sales	4	(4,783)	(4,101)	(2,716)	(2,161)
Gross Profit		8,945	7,861	5,971	3,471
Administrative expenses	5	(613)	(571)	(528)	(444)
Net profit for the period/year		8,332	7,290	5,443	3,027
Appropriation of profit*		(8,332)	(7,290)	(5,443)	(3,027)
Retained profit for the period/year		—	—	—	—

* All profits are deemed to be distributed to Welcare Hospital LLC

All of the results are derived from continuing operations in Dubai.

There are no recognised gains or losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of this financial information.

BALANCE SHEETS

	Note	*28 Feb 2003 AED'000*	*31 March 2002 AED'000*	*31 March 2001 AED'000*	*31 March 2000 AED'000*
Tangible fixed assets	7	219	208	308	391
Current liabilities					
Amounts due to related parties	8	(114)	(138)	(263)	(364)
Current liabilities		(114)	(138)	(263)	(364)
Total assets less current liabilities		105	70	45	27
Staff terminal benefits	9	(105)	(70)	(45)	(27)
Net assets		—	—	—	—
Represented by					
Retained Earnings		—	—	—	—

The accompanying notes are an integral part of this financial information.

CASH FLOW STATEMENTS

		11 months ended 28 Feb 2003 AED'000	*Year ended 31 March 2002 AED'000*	*Year ended 31 March 2001 AED'000*	*Year ended 31 March 2000 AED'000*
Operating activities					
Net cash inflow from operating activities	10	8,451	7,303	5,468	3,517
Capital expenditure					
Purchase of plant and equipment		(119)	(13)	(25)	(490)
		8,332	7,290	5,443	3,027
Appropriation of profit		(8,332)	(7,290)	(5,443)	(3,027)
Net Cash and Cash Equivalents		—	—	—	—

All transactions are deemed to be settled through an inter-company account with Welcare Hospital LLC and are 'non-cash' in nature.

The accompanying notes are an integral part of this financial information.

NOTES TO THE FINANCIAL INFORMATION

1. Status and principal activities

The Welcare Pathology Laboratory ("The Laboratory") has been set up as one of the service departments of Welcare Hospital LLC. The Laboratory began trading as a separate identifiable service department within Welcare Hospital LLC from 1 April 1999 and is not a separate legal entity.

Welcare Hospital LLC is a limited liability company registered in the Emirate of Dubai on 11 November 1996 in accordance with the Memorandum of Association dated 21 September 1996.

The principal activities of the Laboratory are to provide diagnostic services to patients of Welcare Hospital LLC.

2. Going concern

This financial information has been prepared on a going concern basis notwithstanding the fact that Welcare Hospital LLC ("the Hospital"), of which the Laboratory currently forms part and which is the sole customer of the Laboratory, incurred a net loss for the year ended 31 March 2002 of AED 1,721,720 (31 March 2001: AED 24,563,452) and had net current liabilities at 31 March 2002 of AED 8,020,202 (31 March 2001: AED 8,434,755) and net liabilities of AED 102,313,324 (31 March 2001: AED 100,591,604) as at that date. In order to sustain the Hospital's operations and therefore the Laboratory's operations, related parties of the Hospital have in the past provided significant support, including the provision of substantial funds to the Hospital in the form of loans. Consequently, the continuation of the Hospital's and the Laboratory's operations is wholly dependent upon the continued financial support of these related parties who have indicated to the Directors of the Hospital that they will continue for the foreseeable future to provide the necessary funds to enable the Hospital and the Laboratory to meet their obligations as they fall due. In addition, the principal shareholder of the related parties has provided to the Directors of the Hospital an assurance that the funds provided to the Hospital will not be called for repayment in a manner that would jeopardise the interests of the Hospital's creditors. Furthermore, the Hospital's Directors are confident that the Hospital will be successful in generating a satisfactory level of positive cash flows and profits from its future operations to pay its debts as they fall due.

3. Principal accounting policies

Basis of preparation

This financial information has been drawn up in United Arab Emirates Dirhams ("AED") and has been prepared under the historical cost convention and under applicable accounting standards. All of the transactions of the Laboratory are accounted for in the financial statements of Welcare Hospital LLC. Administrative expenses (including debts considered doubtful) incurred by Welcare Hospital LLC, which are not identifiable to any specific service department, are allocated and recharged to each service department, including the Laboratory.

Turnover

Turnover primarily comprises amounts billed to patients for diagnostic and other related services rendered and is stated net of trade discounts. Revenue is recognized by the Laboratory when an invoice is raised to the patient by Welcare Hospital LLC. Such transactions are recorded by the Laboratory as related party transactions with the Hospital. Accordingly, no trade debtors with patients are recognized in this financial information.

Consumables

The Laboratory charges consumables to the profit and loss account when they are received from Welcare Hospital LLC and such amounts are recorded as adjustments to amounts due from related parties. The Laboratory has no direct relationship with suppliers (other than Welcare Hospital LLC). Accordingly there is no provision for trade creditors.

Plant and equipment and depreciation

Plant and equipment is stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lifetime of items of plant and equipment. The estimated useful lives are as follows:

Laboratory equipment	5 years
Furniture & Fixtures	5 years

Laboratory equipment provided by re-agents on a free of charge basis is not recognized in the balance sheet and no depreciation is recorded.

Foreign Exchange

Transactions denominated in foreign currencies are translated into AED at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the exchange rates ruling on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the profit and loss account.

Staff terminal benefits

The provision for staff terminal benefits is calculated in accordance with the UAE Federal Labour Law. This is based on the liability that would arise if the employment of all staff was terminated at the balance sheet date and recognizes the cost of such benefits over the period of service by staff.

Provisions

A provision is recognized in the balance sheet when the Laboratory has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Impairment

The carrying amount of the Laboratory's assets is reviewed at each balance sheet date or whenever there is any indication of impairment. A loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

Cash and cash equivalents

The Laboratory has no cash and cash equivalents as Welcare Hospital LLC enters into all transactions, including revenue, costs of sale and administrative and general expenses on its behalf and settles such amounts through an inter-company balance.

Taxation

Limited liability companies in the UAE are not governed by any tax regulation; accordingly no tax has been provided in the financial statements of Welcare Hospital LLC and the Laboratory.

4. Cost of Sales

	11 months ended 28 Feb 2003 AED'000	*Year ended 31 March 2002 AED'000*	*Year ended 31 March 2001 AED'000*	*Year ended 31 March 2000 AED'000*
Consumables	1,830	1,635	958	640
Blood Consumption	385	322	167	124
Outsourced laboratory expenses	1,328	1,098	753	692
Medical staff costs				
Salaries and allowances	1,099	924	727	603
Airfare	15	13	10	8
Terminal benefits	35	25	21	20
Depreciation – Laboratory equipment	91	84	80	74
	4,783	4,101	2,716	2,161

5. Administrative Expenses

	11 months ended 28 Feb 2003 AED'000	*Year ended 31 March 2002 AED'000*	*Year ended 31 March 2001 AED'000*	*Year ended 31 March 2000 AED'000*
Rent	25	27	27	23
Department Of Health Fees and penalties	10	15	15	11
Sponsorship fees	42	45	44	49
Provision for bad debts*	275	239	174	113
Insurance	25	20	18	16
Telephone	15	12	13	11
Visa and Medical	15	11	11	9
Printing	50	45	52	40
Power & Water	42	37	53	53
Staff costs	74	74	74	74
Other Expenses	23	17	19	20
Depreciation – Furniture and other equipment	17	29	28	25
	613	571	528	444

The above represents the share of centrally incurred expenses allocated by Welcare Hospital LLC to the Laboratory on an appropriate basis.

* Provision for bad debts is charged based on 2% of revenue.

6. Staff numbers

	28 Feb 2003	*31 March 2002*	*31 March 2001*	*31 March 2000*
Laboratory staff at period/year end	22	17	14	11

7. Tangible fixed assets

	Laboratory Equipment AED'000	*Furniture and fixtures AED'000*	*Total AED'000*
Cost			
Transferred in at 1 April 1999	347	96	443
Additions	44	42	86
At 31 March 2000	391	138	529
Additions in the year	25	—	25
At 31 March 2001	416	138	554
Additions in the year	5	8	13
At 31 March 2002	421	146	567
Additions in the period	119	—	119
At 28 February 2003	540	146	686
Depreciation			
Transferred in at 1 April 1999	9	30	39
Charge in the year	74	25	99
At 31 March 2000	83	55	138
Charge in the year	80	28	108
At 31 March 2001	163	83	246
Charge in the year	84	29	113
At 31 March 2002	247	112	359
Charge in the period	91	17	108
At 28 February 2003	338	129	467
Net book value			
At 31 March 2000	308	83	391
At 31 March 2001	253	55	308
At 31 March 2002	174	34	208
At 28 February 2003	202	17	219

8. Related party transactions

The Laboratory, in the normal course of business, enters into transactions with Welcare Hospital LLC, which falls within the definition of a related party under Financial Reporting Standard 8. Such transactions are carried out at agreed rates. The aggregate value of transactions entered into with Welcare Hospital LLC is as follows:

	11 months ended 28 Feb 2003 AED'000	*Year ended 31 Mar 2002 AED'000*	*Year ended 31 Mar 2001 AED'000*	*Year ended 31 Mar 2000 AED'000*
Purchase of fixed assets	119	13	25	490
Sales of Laboratory services	13,728	11,962	8,687	5,632
Purchase of consumables and other services	5,270	4,564	3,143	2,511

Amounts due to related party

	28 Feb 2003 AED'000	31 Mar 2002 AED'000	31 Mar 2001 AED'000	31 Mar 2000 AED'000
Welcare Hospital LLC	114	138	263	364

9. Staff terminal benefits

	28 Feb 2003 AED'000	31 Mar 2002 AED'000	31 Mar 2001 AED'000	31 Mar 2000 AED'000
Opening balance	70	45	27	—
Transferred from Welcare Hospital LLC	—	—	—	7
Provisions during the period/year	35	25	21	20
Payments during the period/year	—	—	(3)	—
Closing balance	105	70	45	27

10. Reconciliation of net profit to net cash inflow from operating activities

Net profit	8,332	7,290	5,443	3,027
Depreciation	108	113	108	99
Increase in staff terminal benefits	35	25	18	27
(Decrease) / increase in working capital amounts due to related party	(24)	(125)	(101)	364
Net cash inflow from operating activities	8,451	7,303	5,468	3,517

11. Financial Instruments

The Laboratory does not have any financial assets. Financial liabilities of the Laboratory comprise of amounts due to related parties and amounts payable towards staff terminal benefits.

Currency risk

The majority of foreign currency transactions entered into are denominated in US Dollars. The US Dollar is pegged to the UAE Dirham and hence does not have any significant currency risk.

Fair value

The fair values of the Laboratory's financial instruments approximate their carrying amounts.

Yours Faithfully

KPMG Audit Plc

PART V

ILLUSTRATIVE PRO FORMA STATEMENT OF NET ASSETS

The following is an unaudited pro forma statement of the net assets of the Enlarged Group following the Acquisition and Subscription. The pro forma statement has been prepared for illustrative purposes only to show the effects on the net assets of the Group of the Acquisition and Subscription as if they had taken place on 31 December 2002. Because of its nature, the pro forma statement may not give a true picture of the financial position of the Enlarged Group. The audited net assets of the Group as at 31 December 2002 are set out in Part III of this document. The Accountants' Report on the Laboratory showing its net assets as at 28 February 2003 is set out in Part IV of this document. The statement should be read in conjunction with the notes set out below:

PROFORMA STATEMENT OF NET ASSETS
AS AT 31 DECEMBER 2002

		Adjustments			
	Medical Solutions plc £'000 (note 1)	*Acquisition of Welcare Pathology Laboratory £'000 (note 2)*	*Other adjustments £'000 (note 3)*	*Net Consideration and Goodwill arising £'000 (notes 4, 5)*	*Proforma Net Assets £'000*
Fixed Assets					
Intangible fixed assets	4,010	—	—	10,336	14,346
Tangible fixed assets	1,144	38	—	0	1,182
	5,154	38	0	10,336	15,528
Current Assets					
Stocks	1,027	—	—	—	1,027
Debtors	1,302	—	—	—	1,302
Cash at bank and in hand	16,320	—	—	(5,750)	10,570
	18,649	—	0	(5,750)	12,899
Creditors: Amounts due within one year	(5,420)	(20)	20	—	(5,420)
Net Current Assets	13,229	(20)	20	(5,750)	7,479
Total Assets less current liabilities	18,383	18	20	4,586	23,007
Provisions for liabilities and charges	—	(18)	18	—	—
***Creditors:* Amounts due after more than one year**	(2,355)	—	—	—	(2,355)
Net Assets	16,028	—	38	4,586	20,652

Notes

(1) These figures have been extracted without material adjustment from the financial information on Medical Solutions plc as at 31 December 2002, as set out in Part III of this document.

(2) These figures have been extracted without material adjustment from the Accountants' Report prepared by KPMG Audit Plc dated 28 February 2003 as set out in Part IV of this document translated into sterling at the exchange rate of AED 5.8 per £1, being rate as at 28 February 2003.

(3) On Completion, it has been assumed that Welcare will settle any existing employee termination liability (although Medical Solutions will be liable for any future employee termination liability) and any balances owing between Welcare and the Laboratory.

(4) The goodwill of £10,336,000 is equal to the fair value of the Initial Consideration and the Deferred Consideration (£10,374,000) less the net assets acquired (£38,000). It has been assumed for the purposes of this pro forma statement that the Additional Deferred Consideration of up to £2,000,000 will not be paid. The total consideration of £10,374,000 therefore comprises the Initial Consideration of £7,000,000 cash payable on completion, professional fees of £750,000 and the £3,000,000 Deferred Consideration discounted to £2,624,000. Deferred consideration of £1,000,000 is payable in cash or Ordinary Shares at the Company's discretion in each of the first three years post Completion, payable subject to certain performance criteria (and is assumed for the purposes of this proforma statement to be satisfied by the issue of additional Ordinary Shares). The annual deferred consideration of £1,000,000 has been discounted at 7 per cent., giving total discounted deferred consideration of £2,624,000.

(5) On Completion, Mr. S. Varkey will subscribe for £2,000,000 worth of Ordinary Shares, payable on Completion, in cash. The total net cash outflow is therefore £5,750,000 being £7,000,000 cash payable on completion and £750,000 of professional fees, net of the £2,000,000 share subscription in the Company by Mr. S. Varkey.

(6) The proforma statement does not include any adjustments necessary to reflect the fair values of the assets and liabilities of Welcare. No account has been taken of trading results since the date of each balance sheet.

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The Directors
Medical Solutions PLC
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NG8 6PX

The Directors
Evolution Beeson Gregory
The Registry
Royal Mint Court
London
EC3N 4LB

3 June 2003

Our Ref:

Dear Sirs

Medical Solutions PLC ("Client" or the "Company")

We report on the unaudited pro forma combined net assets statement following the Acquisition and Subscription ("the pro forma financial information") set out in Part V of the Circular of the Company dated 3 June 2003 ("the Listing Particulars") issued by Client. The pro forma financial information has been prepared for illustrative purposes only to provide information about how the proposed acquisition of Welcare Laboratories, a division of Welcare Hospital LLC and subscription, might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of the Client to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority ("the Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom our reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of the Client.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of Medical Solutions PLC; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed *pursuant to paragraph 12.29 of the Listing Rules.*

Yours faithfully

Deloitte & Touche

PART VI

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered under the Act in England and Wales on 14 November 1903 with registered number 79136 under the name Empire (West Bromwich) Springs Limited. On 25 July 1961 the Company changed its name to The West Bromwich Spring Company Limited and re-registered as a public limited company (The West Bromwich Spring PLC) on 5 February 1982. The Company subsequently changed its name on 23 September 1986 to WB Industries PLC; on 29 October 1993 to Turnpyke Group PLC and on 23 August 1999 to Medical Solutions PLC. The registered office, head office and the principal place of business of the Company is at 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX.

3. The Directors

3.1 The Directors, their functions and any other companies or partnerships (other than subsidiaries of the Company or of any of the companies listed below) of which such persons are or have been directors or partners within the five years preceding the date of this document are as follows:

Name	*Function*	*Other existing directorships or partnerships*	*Former directorships or partnerships in the five years ending on the date of this document*
Professor Sir Gareth Gwyn Roberts	Chairman, non-executive director	Retained organs commission Global Education Management Systems PLC ISIS Limited Higher Education Funding Council for England Techniquest Limited	None
Charles Alexander Green	Chief executive officer	Searby Farming Limited	Kingsbridge Holdings Plc Proactive Sports Group Plc Texas Group Plc Sheffield United plc Matchwinner Sports Limited Aboveworth Limited Focus Sports and Leisure International Limited Matchwinner Sports Clothing Limited The Nithsdale (Kirkintilloch) Property Co. Limited David Conrad (Sales) Limited Bobby Charlton International Limited Cranbourne Limited Blades Financial Services Limited Sheffield United (Abbeydale Grange) Limited Sheffield United (Developments) Limited Premier Sports Services Limited Conrad Limited SLP Consultancy Limited
Andrew David Longstaffe	Finance director	None	Cellpath Plc
Dr Ian Ogilvie Ellis	Medical director	None	None
Professor Karol Sikora	Non-executive director	Dabur Oncology Plc Help Hammer Cancer (Reg'd Charity) Odyssey (Reg'd Charity)	None

3.2 No Director:

(a) has any unspent convictions in relation to indictable offences; or

(b) has been adjudged bankrupt or been party to a deed of arrangement or any form of voluntary arrangements; or

(c) has save in relation to paragraph (g) below been a director of any company with an executive function which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into compulsory liquidation or creditor's voluntary liquidation or had an administrator or an administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of its creditors; or

(d) has been a partner in any partnership, which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any voluntary arrangement; or

(e) has had an administrative or other receiver appointed in respect of any asset belonging to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or

(f) has received any public criticism by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(g) Charles Green was a director of Dennis Castings Limited which was put into administrative receivership in January 1989 with a creditors deficiency of £2.7 million.

4. Directors' Service Agreements

4.1 Each of the Directors has a service agreement with the Company. Details of the principal terms of employment (including salary) are set out below.

(i) Sir Gareth Gwyn Roberts

By letter of appointment dated 27 July 1999 Sir Gareth Roberts entered into an agreement with the Company, which was amended with effect from 1 July 2002, under which he is paid a fee of £40,000 per annum in respect of his services as non-executive Chairman. The appointment was for an initial period of 12 months from 23 August 1999 and continued thereafter unless terminated by either party giving no less than one month's notice.

(ii) Charles Alexander Green

Charles Green entered into a service agreement with the Company on 27 July 1999, which was amended with effect from 1 December 1999 to increase his annual salary to £70,000. The agreement was for an initial fixed term of one year from 23 August 1999 and thereafter is terminable on six months' notice by either party. His salary is subject to annual review by the Company once each year without any obligation to increase the same but the salary cannot be reviewed downwards. His current annual salary is £139,860. The Company provides a car in accordance with the policy agreed by the Remuneration Committee. He is also entitled to an incentive bonus, the amount and terms of which are agreed annually with the Remuneration Committee.

(iii) Andrew David Longstaffe

Andrew Longstaffe's service agreement with the Company is dated 28 March 1997 and was for an initial annual salary of £65,000. The service agreement was varied on 4 May 2000 so that it continued for an initial fixed period ("Initial Fixed Period") of 36 months and thereafter unless and until terminated by either party to this agreement giving to the other not less than 12 months written notice. His salary is subject to annual review by the Company once each year without any obligation to increase the same, but the salary will not be revised downwards and he will be entitled to be paid a bonus of an amount to be agreed by the Remuneration Committee each year. His current annual salary is £102,560. He is entitled to membership of the pension scheme and the Company pays by way of annual contribution to such scheme an amount equal to 5 per cent. of the salary paid to him and he pays an amount equal to 3 per cent. of his salary. In addition, he is entitled to medical insurance, life cover, permanent health insurance, a car, and participation in the unapproved share option scheme.

(iv) Professor Karol Sikora

By letter of appointment dated 19 April 2002, Professor Karol Sikora entered into an agreement with the Company under which he is paid a fee of £30,000 per annum in respect of his services as a non-executive director. The appointment is for an indefinite period of time although is terminable by either party on six months' written notice.

(v) Dr Ian Ogilvie Ellis

Dr Ian Ellis' service agreement with the Company is dated 28 June 2001 and is for an annual salary of £160,000. The agreement is for an initial term of twelve months on a part time basis (reflecting his other responsibilities including at Nottingham University Hospital) and continues thereafter until terminated by either party on giving not less than twelve months notice. This salary is subject to an annual review once a year without any obligation to increase the same. He is entitled to membership of the Company's pension scheme and discretionary bonus scheme. In addition, he is entitled to medical insurance, life cover, permanent health insurance and participation in the Company's car scheme.

4.2 The total aggregate remuneration paid and benefits in kind granted to persons who were Directors in the year ended 31 December 2002 by any member of the Group in respect of that period under any description whatsoever was approximately £944,000 (2001: £440,000). Further details of remuneration and benefits in kind are set out in paragraph 4.1 above.

4.3 There are no outstanding loans granted by any member of the Group to any Director nor has any guarantee been provided by any member of the Group for their benefit.

4.4 None of the Directors service agreements contain provisions relating to compensation being provided by the Company for loss of office.

4.5 The total aggregate remuneration paid and benefits in kind granted to the Directors will not change or be varied in any way as a result of the Acquisition.

5. Share Capital

5.1 The following table sets outs the authorised and issued share capital of the Company as it is at 2 June 2003 (being the latest practicable date prior to the posting of this document) and as it is expected to be following completion of the Acquisition, the Subscription and the passing of the resolutions:

	As at 2 June Number (shares)	*Nominal Value (£)*	*Following completion of the Acquisition and Subscription Number (shares)*	*Nominal Value (£)*
Authorised				
Ordinary 2p Shares	100,000,000	2,000,000	130,000,000	2,600,000
Issued				
Ordinary 2p Shares	79,403,240	1,588,065	89,403,240	1,788,065

5.2 The following alterations in the issued share capital of the Company have occurred in the three years immediately preceding 2 June 2003 (being the latest practicable date prior to the posting of this document);

(a) Year ended 31 December 2002

During the year ended 31 December 2002 445,008 ordinary shares were issued at a price of 22 pence per share as follows; 148,336 shares were issued to Stephen Johnson Jack, 148,336 were issued to Christopher Womack and 148,336 were issued to Neil Gray.

(b) Year ended 31 December 2001

On 31 January 2001 the Court approved the cancellation of the 40,000 deferred shares that were in issue and on 27 March 2001 the authorised share capital of the Company was increased by the creation of an additional 15,000,000 ordinary shares of 2p each.

5.3 Details of the total number of options (all granted to employees of the Company's Group (including directors) for nil consideration) under the Share Option Schemes outstanding as at 2 June 2003 (being the latest practicable date prior to posting of this document) are as follows:

Unapproved 1999 Share Option Scheme

Date granted	*Number outstanding*	*Price payable per Share (pence)*	*Exercise period*
28 September 1999	416,667	48	27 Sept 2002 – 27 Sept 2009
9 May 2000	2,500	124	8 May 2003 – 8 May 2010
25 March 2002	25,000	27.75	24 March 2005 – 24 March 2012
13 January 2003	3,335,824	22p	12 Jan 2006 – 12 Jan 2013
	3,779,991		

Approved 2001 Share Option Scheme

Date granted	*Number outstanding*	*Price payable per Share (pence)*	*Exercise period*
13 January 2003	2,575,517	22p	12 Jan 2006 – 12 Jan 2013
	2,575,517		

5.4 Save as disclosed no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

5.5 At the Extraordinary General Meeting convened for 26 June 2003 the resolutions approving the Acquisition Documents, the Subscription and the EBT will be proposed.

5.6 The allotment of the Subscription Shares will be made by a resolution of the Directors pursuant to the authority granted to the Directors referred to in paragraph 5.5 above.

5.7 All issued shares are in registered form and are traded on the London Stock Exchange's market for listed securities. The Subscription Shares will be in registered form and pursuant to the Subscription Agreement will contain a number of restrictions on the transferability of such Subscription Shares.

5.8 None of the Subscription Shares are being sold or are available in whole or in part to the public in conjunction with the application for the Subscription Shares to be admitted to the Official List.

5.9 On 1 April 2003 the Company purchased 250,000 Ordinary Shares in the market at a price of 18 pence per Ordinary Share representing £5,000 in aggregate of its nominal value. The Company is still holding such Shares.

6. Memorandum and Articles of Association

6.1 The memorandum of association of the Company provides that the Company's principal objects are to carry on business as a general commercial company and to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 20 below.

6.2 The articles of association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect:

(a) Voting Rights

(i) Save as otherwise provided in the Articles, shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person (or in the case of a corporation, present by a duly authorised representative) and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

(ii) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a further or casting vote.

(iii) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of Shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph (b) (i) and (ii) below.

(b) Restrictions on Ordinary Shares

(i) If a member or any person appearing to the Directors to be interested in Shares in the Company (the "defaulter") has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company information thereby required within 28 days after service of such notice or such longer period as may be specified in such notice for compliance therewith, that member shall not be entitled to be present or to vote on any question, either in person or proxy, at any general meeting of the Company or upon any poll, or to be reckoned in a quorum.

(ii) If the defaulter has been duly served with a notice pursuant to section 212 of the Act fails to comply with such notice or, in purported compliance, in the opinion of the Directors makes a statement which he knows to be false or recklessly makes any statement which is false and the defaulter's shares represent not less than 0.25% of the total issued shares of the same class at the Directors' discretion, the defaulter shall not (i) attend/vote at any general meeting of the holders of any class of shares (ii) receive payment of any sum due, any transfer of property or receive the issue or allotment of any shares or securities from the Company or (iii) dispose of or deal with all or any of the relevant shares whether by sale, transfer, remuneration or otherwise.

(c) Variation of class rights and alteration of capital

(i) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act and any other act relating to companies (the "Statutes"), be abrogated or varied either:

(A) in such manner as may be provided by such rights or

(B) in the absence of any such provision,

with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than all adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class present in person or by proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount than is fixed by the Memorandum of Association, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person thereby diminishing the amount of its share capital accordingly.

(iii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

(iv) Subject to the provisions of the Statutes and subject to any provisions contained in the Articles from time to time, all unissued shares of the Company are under the control of the Directors.

(v) Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company on the terms and in the manner provided for by the Articles.

(vi) Subject to the provisions of the Statutes and the relevant Article, the Company may purchase its own shares (including any redeemable shares).

(d) Transfer of Shares

(i) The instrument of transfer of a certified share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certified shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid on which the Company has a lien. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year). None of the restrictions operate to prevent open and proper dealings in shares or are not in accordance with the Listing Rules.

(e) Directors

(i) The business of the Company shall be managed by the Directors who may exercise all such powers of the Company subject to the provisions of the Articles and the Statutes and to such directions as may be given by the Company in general meeting by special resolution.

(ii) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not less than two and not more than ten. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak to all general meetings of the Company and all separate general meetings of the holders of any class of shares of the Company.

(iii) No Director shall be disqualified by his office from entering into any contract with the Company either with regard to his tenure of any other office or place of profit or as a seller, buyer or otherwise. Subject to the provisions of the Statutes and save as therein provided, no such contract or arrangement, entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract or arrangement or who is so interested be liable to account to the Company for any profit realised by any such contract or arrangement, by reason of such Director holding that office or of the fiduciary relationship thereby established but such Director shall declare the nature of his interest in accordance with the Act.

(iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(A) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(B) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any proposal concerning an offer of shares in or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is, or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(D) any proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected to him within the meaning of section 346 of the Act) is not beneficially interested in one per cent. or more of any class of the body corporate or of a third company through which his interest is derived or of the voting rights available to members of the relevant company;

(E) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which the Director benefits in a similar manner to employees and which has been approved by or is subject to and conditional upon approval by the board of Inland Revenue for taxation purposes;

(F) any proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive directors of the Company and/or any subsidiary undertaking to acquire shares in the Company or any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which the Director benefits in a similar manner to employees including superannuation and retirement benefits; and

(G) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors of the Company or for persons who include Directors of the Company provided that for the purposes of this sub-paragraph insurance shall mean only insurance against liability incurred by a Director in respect of any act or omission by him referred to in Article 114 or any other insurance which the Company is empowered to purchase and /or maintain for or for the benefit of any groups of persons consisting of or including Directors of the Company.

(v) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(vi) If any question shall arise at any meeting as to the materiality of an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. Any questions as to the materiality of the interest of the Director or as to his entitlement to vote shall if not agreed, be determined by the other Directors of the Company present at the meeting.

(vii) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract arrangement or any other proposal in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company.

(viii) The Directors shall be paid out of the funds of the Company by way of remuneration for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum (excluding amounts payable under any other provision of the Articles) of £50,000 or such larger amount as the Company may by ordinary resolution determine). Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

(ix) Subject to the provisions of the Statutes, the Directors, or any committee authorised by the Directors, may from time to time appoint one or more of their body to the office of Managing Director or to hold such executive office as they may decide on such terms as they think fit, and may revoke or vary such appointment. The salary or remuneration of any such executive director shall, subject as provided in any contract, be such as the Directors or a committee of the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done, profits made or some other method and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance and other benefits.

(x) The Directors may entrust to and confer upon a managing director or any such executive Director any of the powers and discretions exercisable by them (other than the power to make calls or forfeit shares or issue debentures) upon such terms and conditions and with such restrictions at they may think fit, and either collaterally with or to the exclusion of their own powers and discretions and may from time to time revoke, withdraw, alter or vary all or any of such powers of discretions.

(xi) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission, percentage of profits or otherwise as the Directors may determine.

(xii) The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.

(xiii) A Director may be or continue as or become a director or other officer, servant or member of, or otherwise interested in, any body corporate promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received or receivable by him as a director or other officer, servant or member of, or from his interest in, such other body corporate. The Directors may exercise the voting power conferred by the shares of any other company held or owned by the Company or exercisable by them as Directors in such manner as they think fit, including the exercise of the same in favour of any resolution appointing themselves or any of them Directors or other officers of such company or voting or providing for the payment of remuneration to the Directors or other officers of such company. Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Such remuneration shall be in addition to any remuneration otherwise provided by the Articles.

(xiv) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(xv) Section 293 of the Act (which regulates the appointment and continuation in office of directors who have attained the age of 70) shall not apply to the Company.

(xvi) Each Director shall have the power at any time to appoint as an alternate Director either (a) another director or (b) any other person approved for that purpose by a majority of the Directors, and, at any time, to terminate such appointment. An alternate Director shall not be required to hold any shares of the Company and shall not be counted in reckoning the maximum number of Directors allowed by the Articles. An alternate Director shall be responsible for his own acts and defaults shall not be the great of or for the Director appointing him.

(xvii) Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected. Save as otherwise provided in the Articles the retiring Director shall be eligible for re-election.

(xviii) The Directors or any committee authorised by the Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement superannuation, death or disability allowance or benefits to, *inter alia*, any Directors, exdirectors, employees or ex-employees of the Company or of any subsidiary undertaking or any undertaking allied to or associated with the Company (including any predecessors of these) or to the wives, widows, families and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

(f) Borrowing Powers

(i) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution of the Company, no money shall be borrowed if the aggregate principal amount (including any premium payable on final repayment) outstanding of all moneys borrowed by the Group.

(g) Dividends and distributions on liquidation to shareholders

(i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares (otherwise in advance of calls) and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

(ii) The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

(iii) No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.

(iv) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and nay other sanction required by the Statutes, divide amongst the members entitled to participate in the winding up of the Company in specie the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(v) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(vi) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(vii) All dividends interest or other sums payable by the Company which remain unclaimed for a period of six months or more may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

7. Share Option Schemes

7.1 Medical Solutions Approved Share Option Scheme (the "Approved Option Scheme").

7.1.1 The following summary relates to the rules of the Approved Option Scheme which was adopted by the Shareholders on 27th March 2001. The Approved Option Scheme provides for options to be granted to acquire unissued ordinary shares:

(a) Eligibility

Options to acquire Shares may be granted at the discretion of the Board of Directors of the Company to a employee of full-time director of the Company or any participating company meaning any subsidiary of the Company. A full-time director is a director who is obliged to devote the whole or substantially the whole of his working time and in any event not less than 25 hours per week to the performance of the duties of his office or employment.

In exercising its discretion to grant an option the Board may specify in relation to that option a performance target which must be satisfied before the option can be exercised and may also require the employee/full-time director to agree to pay any employer secondary Class 1 NIC chargeable in respect of the exercise of the option.

Options may only be granted within a period of eight weeks beginning with (i) the date on which the Approved Option Scheme is formally approved by the Inland Revenue or (ii) the dealing day immediately following the date on which the Company announces its final or interim results or (iii) the date of commencement of an employee's employment with a participating Company or at any other time if, in the opinion of the Board, the circumstances are exceptional.

If within 30 days of the issue by the Board to a Participant an Option Certificate, that Participant notifies to the Board that it does not wish to e or at any other time if, in the opinion of the Board, the circumstances are exceptional.

If within 30 days of the issue by the Board to a Participant an Option Certificate, that Participant notifies to the Board that it does not wish to exercise the option and returns the Option Certificate to the Board, the option shall be deemed not to have been granted.

No option shall be granted more than 10 years after the date on which the Approved Option Scheme was adopted and approved by the Company in general meeting.

(b) Exercise Price

The Exercise Price of an option shall be fixed by the Board but shall not be less than the nominal value of the shares and (ii) shall not be less than the middle market quotation of the shares (where listed on the Official List) on the last dealing day immediately prior to the grant or if later on the dealing day next following the date on which the Company last announced its final or interim results

(c) Exercise of Options

The Board may from time to time prescribe the form and manner in which any option can be exercised.

An option may be exercised at any time after the third anniversary of the grant of the option and, if a performance target has been set in respect of that option, if such performance target has been satisfied subject to the foregoing, an option may only be exercised where:

(i) a Participant ceases to be a director or employee by reason of injury, disability, redundancy or retirement (over the age of 60) within 6 months after his so ceasing;

(ii) a Participant ceases to be a director or employee by reason of death (by his or her personal representations) within twelve months of the date of death;

(iii) a Participant ceases to be a director or employee by reason of the company in which he is employed no longer being controlled by the Company or being transferred to another company which is not a participating company, within 6 months of his so ceasing;

If a Participant ceases to be a director or employee for any other reason any option held may not be exercised unless the Board so permits in which event the option must be exercised within 6 months after his so ceasing (unless the Board allows a longer period at its discretion) and subject to any conditions imposed by the Board.

Where a performance target has been set the Board will make such adjustments as may in their opinion be approved where the Participant ceases to be a director or employee before the end of any performance period specified in the performance target.

In exceptional circumstances, the Board may vary the conditions for exercising an option provided that the varied conditions will materially be no more or less difficult to satisfy than the conditions to which the exercise of the option was originally subject. All shares allotted under the Approved Share Scheme shall rank *pari passu* with shares of the same class. Where shares are quoted on the London Stock Exchange the Company shall apply to the UK Listing Authority for the shares allotted under the Approved Share Scheme to be admitted to the Official List.

(d) Limits

The number of shares for which options may be issued shall not exceed such number of shares as represents 5% of the ordinary share capital in issue immediately prior to the date on which the Approved Share Scheme was approved by the Company in general meeting when added to the aggregate of the number of shares which in the previous 10 years immediately prior that date have been or remain to be issued on the exercise of options under the Approved Share Scheme and the number of shares which immediately prior to that day have been or remain to be issued on the exercise of options granted in that period under any executive share option scheme adopted by the Company.

The number of shares for which options may be issued shall not exceed such number of shares as represents 10% of the ordinary share capital in issue immediately prior to the date on which the Approved Share Scheme was approved by the Company in general meeting when added to the aggregate of the number of shares which in the previous 10 years immediately prior that date have been or remain to be issued on the exercise of options under the Approved Share Scheme and the number of shares which immediately prior to that day have been or remain to be issued on the exercise of options granted in that period under any of the employees' share scheme adopted by the Company.

(e) Alterations

The prior approval of the members of the Company by ordinary resolution must be obtained with any alteration or addition to the Scheme to the advantage of the Participants except for where such alteration or addition is a minor alteration or addition which benefits the administration of the Scheme or is to obtain or maintain favourable tax, exchange control of regulatory treatment for participants or for the Company for any participating Company.

(f) Contract of Employment

The grant of an option does not form part of the participant's entitlement to remuneration or benefits pursuant to his contract of employment or services with the Company.

(g) Termination

7.1.2 The Board may at any time resolve to cease making further offers of participation under the Scheme but in such event the subsisting rights of participants will not be affected.

7.2 Medical Solutions Plc 1999 Executive Share Option Scheme (the "Executive Share Option Scheme").

7.2.1 The following summary relates to the rules of the Executive Share Option Scheme which were adopted by shareholders on 23 August 1999 and amended by the Shareholders on 27 March 2001. The Executive Share Option Scheme provides for options to be granted over unissued ordinary shares.

(a) Eligibility

options to apply for shares may be granted at the discretion of the Board of Directors of the Company to any employee or full time director of the Company or any Participating Company meaning any subsidiary of the Company. This includes a full time director of the Company obliged to devote the whole or substantially the whole working time and in any event not less than 14 hours per week to the performance of the duties of his office or employment with the Company.

In relation to the grant of an option the Board may specify in relation to that option a performance target which must be satisfied before the option can be exercised and may require the employee to agree to pay any employer's secondary Class 1 NIC chargeable in respect of the exercise of the option.

An option may only be granted within a period of six weeks from the date on which the Scheme is approved by the Company in general meeting, within six weeks of the dealing day immediately following the date on which the Company announces its final interim results, within six weeks of commencement of the employee's employment or at any other time but only if, in the opinion of the Board, the circumstances are exceptional.

If within 30 days of the issue by the Board to a Participant of an Option Certificate, that Participant notifies the Board that it does not wish to exercise the option and returns the Certificate to the Board, the option shall be deemed never to have been granted.

No option shall be granted more than ten years after the date on which the Scheme was approved and adopted by the Company in general meeting.

(b) Exercise Price

The Exercise Price of an option shall be fixed by the Board but shall not be less than the middle-market quotation of the Shares (where listed on the Official List) on the last dealing day immediately prior to the grant or, if later, on the dealing day the next following the day on which the Company last announced its final or interim results, and the price shall not be left in the nominal value of the Shares.

(c) Exercise of Options

The Board may from time to time prescribe the form and manner in which any option can be exercised. Such exercise can take place any time after the third anniversary of the grant of the option and where a performance target has been set in respect of that option, if such performance target has been satisfied.

Where a Participant ceases to be a director or employee of a Participating Company, if he ceases by reason of injury, disability, redundancy or retirement (over the age of 60) any option may be exercised within a period of six months after his so ceasing. At which time the option shall expire. Following the death of a director or employee any option held by him may be exercised by his personal representatives within twelve months of his death. Where a employee or director is employed by a company which ceases to be a Participating Company due to a share or business transfer any option may be exercised within six months of his so ceasing. If he ceases for any other reason any option held may not be exercised unless the Board permits in which case the Board may impose such conditions as it sees fit and the option must be exercised within six months of the employment ceasing. Where a Performance Target has been set this shall be adjusted by the Board as may in their opinion be appropriate where the Participant ceases to be a director or employee before the end of any performance period specified in the Performance Target.

The Board may in exceptional circumstances vary the conditions for the exercise of a option provided that the varied conditions will be materially no more difficult or no more less difficult to satisfy than the conditions to which the option was originally subject. All Shares allotted under the Scheme shall rank *pari passu* with shares of the same class and where Shares are quoted on the London Stock Exchange the Company shall apply to the UK Listing Authority for the Shares allotted under the Scheme to be admitted to the Official List.

(d) Limits

The number of capital shares for which options may be issued shall not, when added to the number of shares which in the previous ten years have been or remain to be issued and exercise of options under the Scheme or any other Executive Share Option Scheme, exceed 5 per cent. of the issued share capital of the Company on the day prior to the issue of the option. When aggregated with the number of shares which in the previous ten years immediately prior to the day of grant have been or remain to be issued on the exercise of the options granted under the Scheme or under any other employee share scheme adopted by the Company must not exceed 10 per cent. of the ordinary share capital of the Company in issue immediately prior to that date.

The aggregate market value of shares subject to an option granted to any Participant under the Scheme or any other Executive Share Option Scheme within a period of ten years may not exceed four times the amount of his emoluments for his office or employment for the current or preceding year.

(e) Alterations

The prior approval of the members of the Company by ordinary resolution must be obtained with any alteration or addition to the Scheme to the advantage of the Participants except for where such alteration or addition is a minor alteration or addition which benefits the administration of the Scheme or is to obtain or maintain favourable tax, exchange control of regulatory treatment for participants or for the Company for any Participating Company.

(f) Contract of Employment

The grant of an option does not form part of the participant's entitlement to remuneration or benefits pursuant to his contract of employment or services with the Company.

(g) Termination

7.2.2 The Board may at any time resolve to cease making further offers of participation under the Scheme but in such event the subsisting rights of participants will not be affected.

8. Directors' share and other interests

8.1 Directors' share interests

As at 2 June 2003, (being the last practicable date prior to the publication of this document) and immediately following the Acquisition and Subscription, the interests of Directors (including the interests of persons connected with them which would, if the connected person were a Director, be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by that Director) in Ordinary Shares (all of which are beneficial unless otherwise stated), as notified or required to be notified by each Director to the Company pursuant to section 324 or section 328 of the Act or which have been or are required to be shown in the register maintained under section 325 of the Act are as follows:

	No of Ordinary Shares	*Percentage of existing issued Ordinary Share Capital*	*Percentage of issued Ordinary Share Capital following the Acquisition and Subscription*
Professor Sir Gareth Gwyn Roberts	210,223	0.26	0.23
Charles Alexander Green	288,422	0.36	0.32
Andrew David Longstaffe	755,238	0.95	0.84
Professor Karol Sikora	—	—	—
Dr Ian Ogilvie Ellis	61,666	0.08	0.07

Save as disclosed in paragraph 8.1 no Director has any interest in any transactions with the Company which are or were unusual in their nature or condition or significant to the business of the Group and which were effected by the Company during the current or preceding financial year or during an earlier financial year and remain in any respect outstanding or unperformed.

8.2 Directors Share Options

The following options over shares have been granted to Directors under the Share Option Schemes described at paragraph 7 above, such options being exercisable at the price and between the dates shown below:

Director	*Date Granted*	*Number*	*Option Price*	*First Exercisable Date*	*Last Exercisable Date*
C.A. Green	29.09.1999	416,667	48p	28.09.2002	28.09.2009
G.G. Roberts	13.01.2003	706,000	22p	12.01.2006	12.01.2016
A.D. Longstaffe	13.01.2003	250,000	22p	12.01.2006	12.01.2016
I. O. Ellis	13.01.2003	3,709,091	22p	12.01.2006	12.01.2016

The figure for I. O. Ellis's share options include 800,000 granted to his wife, Eilleen Barrett, who is also an employee of the Group.

9. Interests of 3 per cent., or more

9.1 In so far as is known to the Company, the following are and will be, immediately following the Acquisition and Subscription, directly or indirectly, interested in 3 per cent. or more of the issued ordinary share capital of the Company as at 2 June 2003, being the latest practicable date prior to the publication of this document:

	No of Ordinary Shares as at 2 June 2003	*Percentage of Existing Issued Ordinary Share Capital*	*No of Ordinary Shares following Acquisition and Subscription*	*Percentage of Issued Ordinary Share Capital following Acquisition and Subscription*
Texas Holdings Limited	5,699,759	7.17	5,699,759	6.37
Edinburgh Fund Managers	5,635,750	7.10	5,635,750	6.30
Invesco Asset Management	5,149,166	6.48	5,149,166	5.75
M&G Investment Management	5,000,000	6.30	5,000,000	5.59
Singer & Friedlander	3,510,960	4.42	3,510,960	3.92
Cantor Fitzgerald	3,975,000	5.01	3,975,000	4.45
Mr. S. Varkey	—	12.58	10,000,000	11.18

9.2 Save as disclosed above the Company is not aware of any person, who is interested (within the meaning given to that expression in Part IV of the Act), directly or indirectly, in 3 per cent. or more of the issued ordinary share capital (as defined in Section 198(2) of the Act) of the Company or who, directly or indirectly, jointly or severally could exercise control over the Company.

10. Working Capital

In the opinion of the Company, having regard to existing bank and other facilities available to the Group following the Acquisition and Subscription, the working capital of the Enlarged Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

11. Material contracts

11.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two year period immediately preceding the date of this document and are, or may be, material or are contracts entered into at any time and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) A Sale Agreement dated 28 November 2002 relating to the disposal by the Company of its pharmaceutical and dermatological business to Ecolab Inc for a total consideration of £15,600,000 payable as to £14,825,000 on completion and £775,000 pending agreement of Completion Accounts which have now been agreed. The Sale and Purchase Agreement contains a restrictive covenant on the part of the Company not to compete with the business carried on by Adams Healthcare Limited immediately prior to completion of the disposal. The final consideration payable by Ecolab Inc is to be determined by reference to the net working capital as per the agreed completion accounts as at the date of completion. The Sale and Purchase Agreement provides for the total consideration payable to be adjusted downwards by every £8 for every £1 that the operating profit of the pharmaceutical division is below £1.6m for the year to 31 December 2002.

(b) An agreement dated 27 November 2002 between the Company (1), Cellpath plc (2) and Clinicare Products Limited (3) ("the Cellpath Agreement") for the sale by the Company of the entire issued share capital of Cellpath plc for a consideration of £1,600,000 in cash payable as to £600,000 on completion, £550,000 on receipt by Cellpath plc of £550,000 due to it from Williams Medical Supplies PLC in respect of the purchase of Thackray Instruments Limited and Thackray Practice Plus and £450,000 on 28 February 2003. The price will be adjusted downwards if the net assets of Cellpath plc at completion (excluding inter company balances) as shown by completion accounts are £1,370,000 or less. The Cellpath Agreement contains a two year restrictive covenant on the part of the Company not to compete with the business of Cellpath plc and warranties and indemnities.

(c) The Acquisition Agreement, Service Agreement and Subscription Agreement, further details of which are set out in paragraph 13 of this Part VI.

11.2 The Laboratory has not entered into any contract otherwise than in the ordinary course of business (a) within the two years prior to the date of this document which is or may be material or (b) which contains any provision under which the Laboratory has any obligation or entitlements which is or may be material to the Laboratory as at the date of this document.

12. Employee Benefit Trust

12.1 The Company proposes to approve the institution of the EBT pursuant to the Company's execution of the Medical Solutions Plc Employee Benefit Trust Deed (the "Trust Deed") by an ordinary resolution to be passed by the Company. The first trustee of the EBT is to be Gerrard Trust (Jersey) Limited (the "Trustee").

12.2 By executing the Trust Deed, the Company shall institute the trusts contained in the Trust Deed with the object of causing shares ("Shares") in Group to be held by the Trustee of the EBT for the benefit of employees and former employees (and certain of their relatives) of the Group (the "Beneficiaries" (see below)).

12.3 The principal purpose of the EBT is to allow existing Shares (as opposed to newly issued Shares) to be purchased by the EBT in the market and transferred to Beneficiaries where appropriate including in satisfaction of the Group's obligations under employee share incentive arrangements adopted for the benefit of such Beneficiaries (including the Approved Share Option Scheme and the Executive Share Option Scheme).

12.4 The Company proposes to make an initial contribution of one thousand pounds to the Trustee for the purposes of the EBT and intends to make additional contributions and/or loans in the future.

12.5 The following is a summary of the principal terms of the EBT:

(a) Purpose of EBT and application of the trust fund

The Trustee will hold the trust fund (being any money or property transferred to the Trustee and the accretion of capital and accumulation of income upon such sums held) upon trust to acquire Shares. Such Shares and the trust fund generally shall be held and applied to or for the benefit of all or any of the Beneficiaries in any shares and in any manner generally as the Trustee decides in the Trustee's absolute discretion.

The Trustee may pay or apply the trust fund for the benefit of any or all of the Beneficiaries in a number of ways including:

(i) subject to certain restrictions, by transferring monies to the trustees of any employment benefit trust or any qualifying share ownership trust;

(ii) by lending monies to any Beneficiary on such terms as the Trustee determines;

(iii) by transferring or selling Shares to any Beneficiaries for a consideration of less than market value;

(iv) by selling Shares to the trustees of a profit-sharing scheme or other employees' share scheme for the benefit of any Beneficiary for a consideration of less than market value;

(v) by purchasing Shares from Beneficiaries for a consideration above market value;

(vi) by acquiring Shares to be held for the purposes of the EBT;

(vii) by granting options to acquire Shares to Beneficiaries pursuant to any employee share scheme established by the Company;

(viii) by paying taxes and duties for which the Trustee may become liable; and

(ix) by repaying any money borrowed by the Trustee (and interest).

Where a Group company has a tax or national insurance liability by reason of a payment made by the Trustee to a Beneficiary, the Trustee will pay such amount over to the relevant company.

(b) The Beneficiaries

The Beneficiaries of the EBT are employees and former employees from time to time of the Group and also the wives, husbands, widows, widowers, children and step-children under the age of eighteen of such employees and former employees. However, the Beneficiaries shall not include any person who has by deed disclaimed his interest under the EBT or who the Trustee has declared by deed to be excluded.

(c) Powers of the Trustees

The Trustee has extensive powers under the Trust Deed to deal with, retain or invest the trust fund. None of the powers may be exercisable so as to benefit a Group company.

Unless otherwise agreed with the Company, the Trustees shall waive any dividends due in respect of the shares held by them and, whilst the beneficial interest in such shares has not vested in any Beneficiary, shall refrain from exercising voting rights in respect of the Shares.

(d) Termination of the EBT

The EBT shall terminate on the earliest to occur of the Trustee declaring such termination by deed, the Group ceasing to have any eligible employees, the winding up of the Company (except where substantially the whole of the Company's undertaking passes to a successor Company) or eighty years after the date of the Trust Deed.

(e) Other provisions

No Trustee shall be liable for any loss or damage to the trust fund due to a mistake made by him in good faith. Under the Trust Deed the Company will agree to indemnify outgoing Trustees against any liabilities in connection with the EBT to the extent they are not attributable to fraud or wrongdoing on the part of the relevant trustee.

The Company may remove any Trustee and has the power to appoint new Trustees.

Subject to certain restrictions, the Company may, with the written consent of the Trustee, at any time vary the administrative provisions in the Trust Deed.

13. Acquisition Documents

13.1 Acquisition Agreement

On 21 May 2003 the Company entered into a conditional Acquisition Agreement to acquire certain business and assets of the pathology laboratory carried on by Welcare Hospital LLC (the "Business").

The Acquisition Agreement is conditional, *inter alia*, on the approval by shareholders of the Company of the transaction, no material adverse change having occurred in the Business between the Company entering into the contract and completion and the execution of the Services Agreement as detailed at paragraph 12.2 below.

The Acquisition Agreement provides for the Company to acquire the assets of the Laboratory, being the goodwill, the plant and machinery, the fixtures and fittings, the benefit (subject to the burden) of the contracts, the leased assets, the intellectual property rights, the customer records and the benefit of all claims not expressly excluded of the Business.

The total consideration payable for the Business could be up to £12,000,000 comprising the aggregate of the Initial Consideration of £7,000,000 payable in cash at Completion, the Deferred Consideration of up to £3,000,000 and the Additional Deferred Consideration of up to £2,000,000, payable on each of three anniversaries of Completion subject to certain performance criteria. The total Deferred Consideration is only payable if the Laboratory generates at least the annualised equivalent of £950,000 in repatriable earnings in each of the three years following Completion, that is to say £1,029,166.66 in the 13 month period to 31 March 2004 and £950,000 in each 12 month period to 31 March 2005 and 31 March 2006. If repatriable earnings in any of the three years following Completion exceeds such figures ("the Relevant Amounts"), then the Additional Deferred Consideration becomes payable, being 50 per cent. of the excess over the Relevant Amounts up to a maximum of £2,000,000. The total consideration will be reduced by

£2 for every £1 that the annual repatriable profits are less than the Relevant Amounts in each of the first three years following Completion.

In April 2003, the Company paid £250,000 to Welcare in respect of costs and expenses in regard to the Acquisition and establishing Medical Solutions business in Dubai.

The Acquisition Agreement contains a number of usual warranties relating to the adequacy and state of the Business. The warranties will be repeated by the Seller (as defined therein) at completion. The Acquisition Agreement also contains a number of restrictions on the Seller which prevent it from carrying on a competing business for a period of 12 months following completion. The Acquisition Agreement is expressed to be subject to the laws of Dubai. Completion of the Acquisition Agreement is conditional upon the Subscription Agreement being entered into by the relevant parties.

13.2 Services Agreement

On 21 May 2003, MS Dubai Limited, Welcare and Mr. S. Varkey entered into a Services Agreement relating to the outsourcing of pathology services for Welcare Hospita. Pursuant to the Services Agreement the Company is required to provide or make available certain contracted pathology services as required by Welcare Hospital LLC from time to time. The provision of the services by the Company also requires it to provide all such materials and equipment as are necessary in order for it to carry out the services and to employ duly qualified and registered consultant pathologists. The Company agrees that all work carried out by it pursuant to the Services Agreement will be under the supervision of a qualified and registered medical laboratory scientific officer.

The services provided by the Company will be governed by a fixed pricing schedule which sets out a tariff of agreed charges. The Company are obliged to pay to Welcare Hospital 35 per cent. of all revenue which is derived from this arrangement, save that in the case of work which the Company itself outsources, the payment will be reduced to 35 per cent. of the profit generated from the outsourced work.

The Welcare Parties are under obligations to seek to refer all pathology work under their control or management to the Company and are prevented from employing or contracting with any persons with the intention of providing pathology services other than by the Company. Welcare Hospital is required to refer all its own requirements for pathology services to the Company.

The duration of the Services Agreement is for a minimum term of twenty years, renewable for rolling period of 5 years, and is terminable on not less than 12 months notice to expire at the end of the initial term or any extension thereof.

13.3 Subscription Agreement

Pursuant to a Subscription Agreement entered into on 21 May 2003 Mr. S. Varkey agreed to subscribe for 10,000,000 Ordinary Shares at an aggregate subscription price of £2,000,000 representing an average subscription price of 20 pence per share. Completion of the Subscription Agreement is conditional upon the completion of the sale and purchase of the Business pursuant to the Acquisition Agreement as described in paragraph 13.1 above. The subscription monies of £2,000,000 will be retained by the Company from the consideration due to the Seller under the Acquisition Agreement and the Company has been authorised to apply such services in order to pay for the Subscription Shares.

The subscription for the shares pursuant to the Subscription Agreement is subject to lock-in provisions which prevent the subscriber from disposing of any amount of the Subscription Shares without the prior written consent of the Company for a period of two years from completion of the Subscription Agreement and up to 50% of the Subscription Shares for a period of three years from completion of the Subscription Agreement.

The restrictions placed on Mr. S. Varkey shall not apply in, *inter alia*, the following circumstances: acceptance by Mr. S. Varkey of a general offer for the whole of the issued share capital of the Company which has been recommended by the Board of Directors; execution of an irrevocable commitment to accept a general offer for the entire issued share capital of the Company which has been recommended by the Board of Directors; a compromise or arrangement between the Company and its creditors; or a disposal or agreement to dispose of shares to the Company made pursuant to an offer by the Company to purchase its own shares which is made in identical terms to all holders of shares.

Any disposal of shares by Mr. S. Varkey is subject to a requirement that he consults with the Company's broker not less than seven days prior to selling any shares in which he is interested.

The Subscription Shares will be issued directly to Mr. S. Varkey subject to all of the Resolutions being passed. There is no intermediate document of title in relation to the Subscription.

14. Subsidiaries

14.1 The Company acts as the holding company of the Group. The Company has the following subsidiaries all of which are private limited companies and wholly owned, directly or indirectly by the Company and, unless otherwise stated, were acquired or established before 1 January 2000:

	Country of Incorporation	*Principal Activity*	*Registered Office*
Fairfield Imaging Limited	England	Marketing and sale of microscopy hardware and software and image analysis and management systems, development of intellectual property in a cancer diagnosis/prognosis system and development, support and assembly of diagnostic telepathy workstations.	10 Lonsdale Gardens Tunbridge Wells Kent
Fairfield Research Limited	England	Dormant	10 Lonsdale Gardens Tunbridge Wells Kent
Fairfield Telepathology Limited	England	Dormant	10 Lonsdale Gardens Tunbridge Wells Kent
Adams Healthcare Limited (Acquired May 2000)	England	Dormant	Lotherton Way Garforth Leeds
Kinetic Imaging Limited (Acquired in August 2000)	England	Provision of computerised systems and equipment together with consultancy services for medical research	2 Brunel Road Croft Business Park Bromborough Wirral
Quinoderm Limited (Acquired in December 2000)	England	Dormant	Lotherton Way Garforth Leeds
Pathlore Limited (Established June 2001)	England	Provision of pathology services	Maville Works Beech Avenue Sherwood Nottingham
Histological Solutions Limited (Acquired June 2002)	England	Dormant	1 Orchard Place Nottingham Business Park Nottingham

14.2 The Company also holds 75.3 per cent. of Second Opinion Solutions AS which was acquired in May 2000, is incorporated in Norway, holds intellectual property and whose registered office is 1 Orchard Place, Nottingham Business Park, Nottingham.

15. Principal Establishments

The Group has the following principal establishments;

Address	*Use*	*Tenure*	*Approximate Area*
1 Orchard Place Nottingham Business Park Nottingham NG8 6PX	Office/ laboratory (under development)	Freehold	22,000 square feet
Maville Works Beech Avenue Basford Nottingham NG7 7LU	Office/ laboratory	Leasehold two 5 year leases expiring at September 2006 and August 2007 at annual rents of £17,400 and £11,452 respectively	8,550 square feet
2 Brunel Road Croft Business Park Bromborough Wirral Merseyside CH62 3NY	Offices	Leasehold 5 year lease expiring June 2005 at an annual rent of £16,922	3,500 square feet

16. Litigation

16.1 No member of the Group is, or has been, engaged in, nor (so far as the Directors are aware) has, or has had, pending or threatened against it, any legal or arbitration proceedings which may have or have had during the 12 months immediately preceding the date of this document, a significant effect on the financial position of the Group.

16.2 The Laboratory is not currently and has not been involved in, nor (so far as the Directors are aware) has or has had pending or threatened against it any legal or arbitration proceedings which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position of the Laboratory.

17 United Kingdom Taxation

The following statements are intended only as a general guide to current United Kingdom tax legislation and to what is understood to be the current practice of the United Kingdom Inland Revenue (the "Inland Revenue"). They summarise the position of Shareholders who (unless the position of non-United Kingdom resident shareholders is expressly referred to) are resident and (in the case of individuals) ordinarily resident in the UK for tax purposes and who hold their Subscription Shares as an investment. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult his independent professional advisers immediately.

17.1 Taxation of dividends

There is no United Kingdom withholding tax on dividends. An individual Shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit the ("gross dividend"), which will be regarded as the top slice of the individual's income.

Following the abolition of advance corporation tax with effect from 6 April 1999 the tax credit on dividends paid by the Company is reduced to one-ninth of the dividend paid (or 10 per cent. of the gross dividend). Individuals who are not liable to tax at the higher rate will have no further liability. For higher rate taxpayers the higher rate is 32.5 per cent. rather than 40 per cent. This means that a higher rate shareholder receiving a dividend of £90 will be treated as having a gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. The same procedure applied for UK resident trustees save that the rate applicable to trusts will be 25 per cent. (as opposed to 32.5 per cent.).

Generally, Shareholders will no longer be entitled to reclaim the tax credit attaching to any dividends paid by the Company save where their Ordinary Shares are held in an Individual Savings Account, in which circumstances the tax credit can be reclaimed for dividends paid on or before 5 April 2004. Certain transitional relief applies to dividends received by charities.

Subject to certain exceptions for traders in securities, a shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends received from the Company.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

Entitlement to claim repayment of any part of a tax credit for Shareholders not resident in the UK for tax purposes will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Such Shareholders should note, however, that since 6 April 1999, most Shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are less than one per cent. of the dividend. Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment or any part of the tax credit and, if so, the procedure for so doing.

18. Miscellaneous

18.1 Evolution Beeson Gregory, which is authorised and regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and references thereto in the form and context in which they appear.

18.2 Deloitte & Touche Chartered Accountants, has given and not withdrawn its written consent to the inclusion in this document of its letter in Part V of this document and the inclusion of its name and references thereto in the form and context in which they appear and has authorised the contents of the letter in Part V of this document for the purposes of Regulation 6(1)(e) of FSMA 2000 (Official Listing of Securities) Regulations 2001.

18.3 KPMG Audit Plc, has given and not withdrawn their written consent to the inclusion in this document of their letter in Part IV of this document and the inclusion of their name and references thereto in the form and context in which they appear and has authorised the contents of the letter in Part IV of this document for the purposes of Regulation 6(1)(e) of FSMA 2000 (Official Listing of Securities) Regulations 2001.

18.4 There will be no variation in the total emoluments receivable by the Directors as a result of the Acquisition.

18.5 Deloitte & Touche, Chartered Accountants and Registered Auditors, of P.O. Box 500, 201 Deansgate, Manchester M60 2AT, audited and reported upon the statutory accounts of the Company for each of the three financial years ended 31 December June 2002 within the meaning of section 235 of the Act. Each such report was unqualified within the meaning of section 262(1) of the Act and did not contain a statement under sections 237(2) or (3) of the Act.

18.6 Based on the closing middle market price of an Ordinary Share as derived from the London Stock Exchange Daily Official List for the business day prior to the announcement of the Acquisition and Subscription on 21 May 2003 of 20p, the price at which the Subscription Shares are to be issued, represents a premium of 18p to the nominal value of an Ordinary Share (calculated on the assumption that the price per Subscription Share is the Placing Price). This amount is to be paid in cash. The aggregate nominal value of the Subscription Shares is £200,000.

18.7 There are no underwriting costs or commission costs associated with the Subscription.

19. Significant changes

19.1 Save as disclosed in this paragraph, there has been no significant change in the trading or financial position of Medical Solutions Group since 31 December 2002, being the date to which the latest audited financial statements of the Medical Solutions Group were prepared:

The Group has repaid £3.7 million of loans and overdrafts and has spent £3.8 million on freehold capital expenditure (including fixtures and fittings).

19.2 Save as disclosed in this paragraph, there has been no significant changes in the trading or financial position of Welcare Pathology Laboratory since the 28 February 2003, the date to which the financial information in the Accountants' Report of the Welcare Pathology Laboratory was made up.

The Laboratory acquired medical imaging equipment, from the Hospital in March 2003 with a value of approximately £100,000.

20. Documents available for inspection

Copies of the following documents may be inspected at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH and at the registered office of the Company at Medical Solutions PLC, 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX during usual business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days following the date of this document:

20.1 the memorandum and articles of association of the Company referred to at paragraph 6 above;

20.2 the material contracts referred to in paragraph 11 above;

20.3 the service agreements of the Directors previously put on display within the two years preceding the date of this document and which are referred to in paragraph 4 above;

20.4 the audited consolidated accounts of Medical Solutions PLC for the two financial years ended 31 December 2002;

20.5 the written consents referred to in paragraphs 18.2 and 18.3 above:

20.6 the letter from Deloitte & Touche relating to the pro-forma financial information contained in Part V of this document;

20.7 the Accountants' Report on the Laboratory and letter from KPMG Audit Plc contained in Part IV of this document;

20.8 the full text of the amended Approved Share Option Scheme and the amended Executive Share Option Scheme referred to in paragraph 7 above; and

20.9 the statement of adjustments from KPMG Audit Plc relating to the Accountants' Report on the Laboratory included in Part IV of this document.

21. Availability of circular

Copies of this circular are freely available to the public from the Company's office at 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX and from the offices of Hammonds, 7 Devonshire Square, London EC2M 4YH for a period of 14 days from the date of this document.

MEDICAL SOLUTIONS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that at an extraordinary general meeting of the Company to be held at the offices of Hammonds, Solicitors, 7 Devonshire Square, Cutlers Gardens, London EC2M 4TH at 9.30 a.m. on 26 June 2003, the following resolutions will be proposed, in the case of resolutions 1, 2, 3, 4, 5 as ordinary resolutions and in the case of resolutions 6 and 7 as special resolutions:

Ordinary Resolutions

1. That the Acquisition Agreement and the Services Agreement, each as defined in a document (the "Circular") dated 3 June 2003 comprising listing particulars relating to the Company (collectively "the Dubai Documents") (in each case in the form of the draft produced to the meeting and initialled for the purposes of identification by the Chairman of the meeting, subject to any non-material modifications or non-material amendments thereto as may be approved by any Director duly authorised by the Board of the Company), be approved, and that the Board of the Company be and it is hereby authorised and requested to arrange for the Dubai Documents to be executed on behalf of the Company and the Company be and it is hereby authorised subject to the passing of resolutions numbered 3, 4 and 6 to issue and all of the Consideration Shares (as defined in the Acquisition Agreement).

2. That the Subscription Agreement as defined in the Circular (in the form of the draft produced in the meeting and initialled for the purpose of identification by the Chairman of the meeting, subject to any non-material modifications or non-material amendments thereto as may be approved by any Director duly authorised by the Board of the Company) be approved and that the Board of the Company be and it is hereby authorised and requested to arrange for the Subscription Agreement to be executed on behalf of the Company and the Company be and it is hereby authorised to issue and allot the New Shares (as defined in the Subscription Agreement) up to an aggregate nominal amount of £200,000.

3. That the authorised share capital of the Company be increased to £2,600,000 by the creation of 30,000,000 Ordinary Shares of 2p each to rank *pari passu* with the existing Ordinary Shares of 2p each of the Company.

4. That subject to the passing of the resolutions numbered 2 and 3 in this Notice of Extraordinary General Meeting, in substitution for any existing authority the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £811,935 provided that this authority will (unless renewed) expire 15 months from that date on which this resolution is passed or the commencement of the Annual General Meeting of the Company called in 2004 whichever first occurs.

5. That the institution of the Medical Solutions Plc Employee Benefit Trust (the "EBT") be approved and accordingly the Directors be authorised to execute as a deed the Medical Solutions Plc EBT Trust Deed and that the Directors be and are hereby authorised to do all acts and things necessary to institute and assist the Trustees in the operation of the EBT (which, for the avoidance of doubt, shall include the making of contributions by the Company to the Trustees of the EBT and to be applied for the purposes of the EBT).

Special Resolution

6. That subject to the passing of the resolution numbered 2 in this Notice of Extraordinary General Meeting, the Directors be and are hereby given power to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to the allotment, provided that this power is limited to the allotment on or before 31 March 2004 of the New Shares (as defined in the Subscription Agreement) up to an aggregate nominal amount of £200,000.

7. That subject to the passing of the resolutions numbered 3 and 4 in this Notice of Extraordinary General Meeting, in substitution for any existing authority other than that conferred by resolution numbered 6 in this Notice of Extraordinary General Meeting, the Directors of the Company be and are hereby given power to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to the allotment, provided that this power is limited to the allotment of equity securities up to an aggregate nominal amount of £178,806.48 and will (unless renewed) expire 15 months after the date of the passing of this resolution or at the commencement of the Annual General Meeting of the Company held in 2004, whichever first occurs.

A.D. Longstaffe
Director

1 Orchard Place
Nottingham Business Park
Nottingham
N68 6PX

Dated 3 June 2003

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of that member. A proxy need not be a member of the Company.
2. To be valid, the signed instrument appointing a proxy, together with any power of attorney or other authority (if any) or a notarially certified copy of such power of authority, must be deposited at the offices of the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 3UH not less than 48 hours before the time appointed for holding the Meeting at which the person named therein proposed to vote.
3. Completion and return of a form of proxy will not preclude a member from voting at the meeting in person.
4. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only shareholders on the Register 48 hours before the meeting will be entitled to attend and vote at the Meeting and at any adjournment thereof. On a poll the number of shares held by each Shareholder at such time will determine the number of votes that each Shareholder may cast.