

EXPLANATORY STATEMENT

to the special business to be proposed at the Annual General Meeting

1 Definitions

The following definitions apply throughout this Explanatory Statement unless the context otherwise requires:

"Act"	the Companies Act 1985 (as amended);
"Annual General Meeting"	the annual general meeting of the Company to be held at 11.00 a.m. on 6 June 2007 at Oaklands Hotel, Millington Lane, Gorstage, Weaverham, Northwich, Cheshire, CW8 2SU, or any adjournment thereof, notice of which is set out on pages 51 and 52 of the Report and Accounts accompanying this document;
"Articles of Association"	the current articles of association of the Company;
"Board" or "Directors"	the directors of the Company;
"Company"	Advanced Medical Solutions Group plc incorporated under the Act and registered in England under number 2867684;
"Court"	the High Court of Justice, Chancery Division, Companies Court;
"Court Hearing"	the hearing before the Court at which the Court will consider the Company's application to confirm the Reduction and Cancellation;
"Court Order"	the order of the Court confirming the Reduction and Cancellation pursuant to section 137 of the Act;
"Deferred Shares"	the Deferred Shares of 5 pence each in the capital of the Company;
"Ordinary Shares"	the Ordinary Shares of 5 pence each in the capital of the Company;
"Reduction and Cancellation"	the reduction of the Company's share capital by the cancellation of the Deferred Shares and the cancellation of the Company's share premium account to be proposed by the special resolution to be considered at the Annual General Meeting;
"Shareholders"	holders of Ordinary Shares.

1 Introduction

At the forthcoming annual general meeting of the Company to be held on 6 June 2007, the board of the Company has resolved to seek shareholder approval to a reduction of the Company's share capital by the cancellation of its Deferred Shares and the cancellation of its share premium account.

2 The Deferred Shares

The Company currently has an authorised share capital of £15,000,000 divided into 206,446,606 Ordinary Shares of 5p each and 93,553,394 Deferred Shares of 5p each. As at 13 April 2007, the last practicable date prior to publication of this document, 142,815,424 of the Ordinary Shares and all 93,553,394 of the Deferred Shares are in issue.

The Deferred Shares arose from a capital reorganisation of the Company which took effect on 23rd April 2002. This capital reorganisation subdivided each then existing Ordinary

Share of 10p into one Ordinary Share of 5p and one Deferred Share of 5p. As a result of that 2002 capital reorganisation, the current Ordinary Shares in the capital of the Company carry the same rights including voting, dividend and capital repayments as the former existing Ordinary Shares of 10p.

The Deferred Shares which were created by that capital reorganisation, and which are now proposed to be cancelled:

- carry no right to receive any dividend in respect of any financial year or other period of the Company;
- on any return of capital on a winding up or otherwise, carry an entitlement on their holders to receive the amount paid up on the Deferred Shares provided that any such payment shall be made only after a minimum aggregate amount of £1,000,000 has been paid in respect of each of the Ordinary Shares;
- carry no right to participate further in any distribution of the assets of the Company; and
- carry no right to receive notice of, or to attend, speak or vote either in person or by proxy at, any general meeting of the Company.

In addition, the Deferred Shares are not listed or quoted on any stock exchange and no share certificates have been issued in respect of the Deferred Shares. The value of the Deferred Shares is therefore negligible and the Company's articles of association permit the Company to reduce its share capital by cancelling the Deferred Shares for no consideration without any sanction required on the part of the holders of the Deferred Shares.

3 The share premium account

Generally, the Act requires that a company which issues shares at a premium over their nominal value must transfer a sum equal to the aggregate amount of the premium on those shares to a share premium account. Under the Act, a company can use its share premium account for only a limited number of specified purposes. Under the Act, the Company's share premium account constitutes a non-distributable reserve of the Company and the sums credited to that reserve are not distributable to shareholders.

As at 13 April 2007, the last practicable date prior to publication of this document, the aggregate balance of the Company's share premium account was £37,979,870 which sum had arisen as a result of various prior issues by the Company of its shares at prices in excess of their nominal value. Whilst the aggregate balance of the Company's share premium account may increase prior to the Reduction and Cancellation taking effect, any such increase is not expected to be significant. Accordingly, it is proposed that the entirety of the Company's share premium account be cancelled.

4 The cancellation of the deferred shares and the share premium account

The Company's Articles of Association and the Act permit the Company to reduce its share capital and to cancel its share premium account in appropriate circumstances provided the Company resolves by special resolution to do so and if subsequent confirmation of that reduction and cancellation is given by the Court.

The reserve which arises as a result of the Reduction and Cancellation can then be transferred to the Company's profit and loss account reserve as representing realised profit except to the extent that, and for so long as, the Company has undertaken that it will not treat the reserve arising as a realised profit, or where the Court has directed that it shall not be treated as a realised profit.

5 Effect and benefits of the board's proposal

The Company, as a public company, may not distribute dividends to its shareholders save out of its distributable profits which constitute the balance of its accumulated realised profits (so far as not previously utilised by distribution or capitalisation) less its accumulated realised losses (so far as not previously written off in a reduction or reorganisation of capital duly made) and provided the amount of the distribution does not exceed the value of its net assets less the aggregate value of its called-up share capital and non-distributable reserves.

As at 31 December 2006, the Company had an accumulated net realised loss balance of £36,748,704 as recognised by the deficit on its profit and loss account reserve in its financial statements for the period ended 31 December 2006. There has been no material change to the profit and loss account reserve balance of the Company since that date.

Accordingly, the Company is currently unable to distribute dividends to its shareholders and it will continue to be unable to distribute dividends until the deficit on its profit and loss account reserve has been eliminated and it has accumulated sufficient distributable profits to finance any dividend distribution.

If approved by shareholders, and confirmed by the Court, the proposed Reduction and Cancellation, taken together, will:

- eliminate the deficit of £36,748,704 recorded in the Company's profit and loss account reserve as at 31 December 2006; and
- create a distributable profit reserve of approximately £5,900,000 subject to any direction given by the Court in confirming the proposed Reduction and Cancellation, and subject to the Company satisfying the terms of any undertaking given by the Company to the Court in connection with the proposed Reduction and Cancellation.

The value of the distributable profit reserve which will be created by the proposed Reduction and Cancellation will depend (inter alia) on the actual value of the Company's profit and loss account reserve deficit at the time the proposed Reduction and Cancellation takes effect or (if later) at the time the Company satisfies the terms of any undertaking given by the Company to the Court which will enable the reserve arising as a result of the proposed Reduction and Cancellation to be treated as a realised profit and to be transferred to the distributable reserve account of the Company.

Shareholders should note that, if distributable reserves are created in due course as a result of the Reduction and Cancellation, it will not automatically follow that the Board will then pay any interim dividend or recommend any final dividend. The Board will consider in due course what, if any, dividend policy to pursue and make an announcement as appropriate to Shareholders at that time.

6 The Annual General Meeting

The Reduction and Cancellation requires the approval by Shareholders of a special resolution to be proposed at the Annual General Meeting (as set out in the Notice of Annual General Meeting set out on pages 51 and 52 of the Report and Accounts accompanying this document). This special resolution, if passed, will approve the reduction of the Company's share capital by the cancellation of all of the issued 93,553,394 Deferred Shares and the cancellation of the Company's share premium account.

In addition to the above, a second special resolution will be proposed at the Annual General Meeting empowering the Directors to allot equity securities for a period of fifteen months or, if earlier, until the conclusion of the next Annual General Meeting, as if the pre-emption rights contained within section 89(1) of the Act did not apply.

Voting on the special resolutions will be on a show of hands unless a poll is demanded. The chairman of the meeting reserves his right under the Articles of Association to demand that

the vote of Shareholders be held by way of a poll and, in such event, each Shareholder present in person, or by proxy, will be entitled to one vote for every Ordinary Share held.

The quorum for the Annual General Meeting will be two or more Shareholders present in person or by proxy.

7 Confirmation by the Court

In addition to the Reduction and Cancellation requiring the approval of Shareholders, the Reduction and Cancellation must be confirmed by the Court before it takes effect.

Accordingly, if the proposal is approved by Shareholders at the Annual General Meeting, the Company will then seek confirmation of the proposed Reduction and Cancellation by the Court.

In seeking the Court's confirmation, the Company will need to satisfy the Court that the interests of its creditors (both actual, prospective and contingent) who are in existence as at the date the Reduction and Cancellation becomes effective, and who could prove in a liquidation of the Company, will not be prejudiced by the Reduction and Cancellation.

The Company intends to offer to the Court an undertaking that it will treat the profit reserve, which will arise as a result of the proposed Reduction and Cancellation, as a non-distributable profit reserve until certain conditions have been met. Broadly speaking, these conditions are likely to include that the profit reserve arising will remain a non-distributable reserve until all relevant creditors existing as at the date the proposed Reduction and Cancellation takes effect either have been paid or have consented to that reserve becoming distributable.

The board believes, on legal advice, that this undertaking will be acceptable to the Court. The board also believes that the Company will be able to satisfy the relevant conditions set out in the undertaking within a reasonable period of time after the proposed Reduction and Cancellation takes effect by, *inter alia*, the settlement of creditors' debts and claims in the usual course of trading and by obtaining relevant consents from the Company's long-term creditors.

8 Timescale

The proposed Reduction and Cancellation will not become effective until such time as the Registrar of Companies registers both the order of the Court confirming the Reduction and Cancellation and the minute, approved by the Court, setting out the particulars of the Company's share capital as altered by that order. It is currently anticipated that the Court will hear the Company's application 4 July 2007 and that the proposed Reduction and Cancellation, if confirmed by the Court at that hearing, will become effective shortly thereafter.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown in this document are London times unless otherwise stated:

Latest time for receipt of Forms of Proxy for the Extraordinary General Meeting.....	11.00 a.m. on 4 June 2007 ¹
Annual General Meeting.....	11.00 a.m. on 6 June 2007 ²
Date of the Court Hearing.....	4 July 2007 ³
Anticipated effective date of the proposed Reduction and Cancellation.....	6 July 2007 ³

Notes

¹ If the Annual General Meeting is adjourned, the Forms of Proxy must be lodged not later than 48 hours before the time fixed for the adjourned meeting.

² The chairman of the Annual General Meeting may, with the consent of that meeting if a quorum is present (and shall if so directed by that meeting), adjourn the Annual General Meeting from time to time and from place to place as the meeting shall determine. If the meeting is adjourned for 14 days or more, at least 7 clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give notice of an adjournment.

³ These dates are indicative only and will depend, *inter alia*, on the date upon which the Court confirms the Reduction and Cancellation and the date upon which the Registrar of Companies registers both the Court Order and the minute, approved by the Court, setting out the particulars of the Company's share capital as altered by that order.

9 Risks

There is no guarantee that the Court will confirm the Reduction and Cancellation. If the Court refuses to confirm the Reduction and Cancellation, it will not take effect. The Board, on legal advice, believes that the Court will confirm the Reduction and Cancellation.

There is no guarantee that the Company will be able subsequently to satisfy the conditions to any undertaking which the Company provides the Court and which would permit the reserve which arises as a result of the Reduction and Cancellation to be treated as realised profit and to be transferred to the Company's distributable reserve account. However the Board anticipates that the Company will be able to satisfy the conditions attached to any undertaking which the Company provides the Court within a reasonable period of time after the Reduction and Cancellation takes effect.

10 Ordinary Shares

Shareholders should note that, if the Reduction and Cancellation becomes effective, neither the number of Ordinary Shares held by them nor the nominal amount of such Ordinary Shares will change.

11 Taxation consequences of the Reduction and Cancellation

The Reduction and Cancellation should not give rise to any liability for the purposes of UK taxation of capital gains.

If any shareholders are in any doubt as to their taxation position, they are strongly recommended to consult an independent professional adviser without delay.

12 Action to be taken

The notice convening the Annual General Meeting, at which the special resolution to approve the Reduction and Cancellation will be proposed, is set out at pages 51 and 52 of the Report and Accounts.

In order for the special resolution approving the proposed Reduction and Cancellation to be passed at the Annual General Meeting, at least 75 per cent. of the votes cast in person or, if applicable, by proxy must be in favour of that resolution.

A Form of Proxy for use in connection with the special resolution to be proposed at the Annual General Meeting is enclosed. Whether or not you intend to attend the Annual General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received by the Company's Registrars, Capital Registrars, Proxy Processing Centre, Telford Road, Bicester, Oxfordshire, OX26 4LD no later than 11.00 a.m. on 4 June 2007.

Returning a completed Form of Proxy will not prevent you from attending and voting in person at the Annual General Meeting should you wish to do so (and are so entitled).

If you have any questions relating to this document or the completion and return of the Form of Proxy, please contact Capita Registrars on 0870 162 3121 (or if calling from outside the United Kingdom +44 20 8639 2157) between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). The helpline cannot provide advice on the merits of the proposal set out in this document nor give any financial advice.

13 Recommendation and voting intentions

In the opinion of the board, the elimination of the deficit on the Company's profit and loss account reserve, and the subsequent creation of distributable reserves which the board anticipates will be achieved by the proposed Reduction and Cancellation in due course, will be of benefit to the Company and will be in the best interests of its Shareholders as a whole.

Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the special resolution approving the proposed Reduction and Cancellation at the Annual General Meeting as they intend to do in respect of their own beneficial shareholdings which amount in aggregate to 2,042,273 Ordinary Shares representing approximately 1.43 per cent. of the issued Ordinary Share capital of the Company.