

# HEALTHCARE ENTERPRISE

## GROUP PLC

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### **Consolidator Moves into Fragmented UK Healthcare Services Market through £11.9m Acquisitions and Placing of up to £10.5m by Numis Securities Limited**

***Healthcare Enterprise Group PLC (“HCEG” or “the Company”) to deliver first acquisitions establishing a healthcare services business with the following characteristics:***

- ***Cash generative***
- ***Platform for expansion***
- ***Synergies with HCEG’s international development resources***

HCEG has conditionally agreed to acquire the entire issued share capital of The S.A.F.A. Group Limited (“Safa Group”) and a 60.7 per cent equity interest in SafaTec (UK) Limited (“SafaTec UK”). Conditional on the Safa Group acquisition, HCEG will, through Safa Group, also acquire Industrial Pharmaceutical Service Limited (“IPS”).

#### **Today’s Acquisitions**

Safa Group and IPS are suppliers of occupational healthcare and first aid products to large, established companies and first aid professionals in the UK and internationally. The provision of first aid equipment required by UK health and safety legislation underpins the businesses. Customers include British Airways, BT, Marks & Spencer, Sainsbury and OGC Buying Solutions (a UK government supplies procurement agency).

Safa and IPS also supply a wide variety of disposable and consumable medical and pharmaceutical supplies to the larger medical, veterinary and retail markets. They use advanced replenishment systems to ensure that clients maintain adequate supplies to remain compliant with UK health and safety legislation.

SafaTec UK holds interests in a number of innovative healthcare products and technologies, which provide HCEG with significant commercialisation opportunities. For example, Safa Group has secured a sole international distribution agreement with Ebiox Limited (“Ebiox”), a manufacturer of a unique decontaminant and cleansing product range based on a patented formula. SafaTec UK has a 35% interest in Ebiox and HCEG is negotiating to acquire a controlling interest for the Enlarged Group.

#### **Stuart Bruck, Executive Chairman, commented:**

***“By driving this consolidation in a fragmented market, we are well positioned to deliver significant value. We also believe that, by bringing our financing, business development and operations expertise into this sector, consumers should benefit from improved efficiency and effectiveness. We look forward to enhancing our management expertise by the addition of the dynamic Safa and IPS teams.”***

#### **Financing**

The total initial consideration of approximately £11.9 million will be funded through a mixture of shares and cash as follows:

- £2.5 million in shares by the issue of approximately 250 million ordinary shares (with 1 warrant for every 10 ordinary shares) at an issue price of 1p per ordinary share; and
- £9.4 million in cash.

To fund these acquisitions and provide sufficient working capital for the ongoing development of the Enlarged Group, the Company will:

- Issue 1,000,000,000 placing shares (with 1 warrant for every 10 placing shares) with the ability to issue up to a further 50,000,000 placing shares (with 1 warrant for every 10 placing shares) at a placing price of 1p per placing share; and
- Draw down under debt facilities of up to £3.5 million from Barclays Bank.

HCEG's shares have now resumed trading, having been suspended on 29 August 2003 when it announced that it was in discussions regarding a potential acquisition. The Company will be issuing and dispatching to shareholders today a prospectus in connection with the above proposals together with a form of proxy for use at the EGM a copy of each of which will be available from the Company's offices at 15 Stratton Street, London W1J 8LQ for at least one month from today, in accordance with rule 18 of the AIM Rules. Certain definitions apply throughout this announcement and your attention is drawn to the Appendix at the end of this announcement where these definitions are set out in full. The above summary should be read in conjunction with the full text of this announcement set out below.

**20 October 2003**

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**There will be an analyst briefing at 9:30am on Tuesday, 21 October, at the offices of College Hill, 78 Cannon Street, London EC4.**

Numis Securities Limited, which is authorized and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Numis Securities Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities Limited or for providing advice in relation to the Proposals.

Numis Securities Limited has approved the contents of this announcement solely for the purpose of section 21 of the Financial Services and Markets Act 2000.

The principal place of business of Numis Securities Limited is Cheapside House, 138 Cheapside, London EC2V 6LH.

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

**Proposed acquisitions of The S.A.F.A. Group Limited, Industrial Pharmaceutical Service Limited  
and 60.7 per cent of SafaTec (UK) Limited  
Firm placing by Numis Securities Limited of 1,000,000,000 Ordinary Shares and a further placing of  
up to  
50,000,000 Ordinary Shares, in each case at 1p per share (with Warrants attached on the basis of 1  
Warrant for every 10 Ordinary Shares)  
Issue of Bonus Warrants  
And  
Admission of Enlarged Share Capital and Warrants to trading on the  
Alternative Investment Market**

## **1 INTRODUCTION**

The Directors are delighted to report that the Company has conditionally agreed to acquire the entire issued share capital of Safa Group and 60.7 per cent. of SafaTec UK and that Safa has conditionally agreed to acquire the entire issued share capital of IPS. Trading in the Company's Ordinary Shares has now recommenced. This follows the announcement made on 29 August 2003 that the Company was in discussions regarding a potential acquisition which would constitute a reverse takeover for the purposes of the AIM Rules. It was further announced on that date that the Company had requested the AIM Team of the London Stock Exchange to suspend trading in the Company's Ordinary Shares pending a further announcement in connection with such acquisition. Safa, which is the operating subsidiary of Safa Group, and IPS are each suppliers of occupational healthcare and first aid products to companies and first aid professionals in the UK and internationally. SafaTec UK is a holding company for interests in a number of early stage companies developing medical products or technologies.

The aggregate amount payable in respect of the Acquisitions on Completion is approximately £11,859,000. Of this sum, £2,509,000 will be satisfied through the issue of 250,900,000 Ordinary Shares (with Warrants attached on the basis of 1 Warrant for every 10 Consideration Shares) which will be issued at 1p per Ordinary Share. The balance of approximately £9,350,000 will be payable in cash.

In order to finance the Acquisitions and to provide additional funding for the ongoing working capital requirements of the Enlarged Group and to enable the Enlarged Group to exploit additional potential strategic opportunities, the Company has entered into the Facilities which provides for up to £3.5 million to be made available to the Enlarged Group and Numis has conditionally placed the Firm Placing Shares (with Warrants attached) with institutional investors at the Placing Price and has agreed to use its reasonable endeavours to place the balance of the Placing Shares (with Warrants attached). The gross proceeds of the Placing (assuming the Minimum Subscription under the Placing) amount to £10 million (approximately £8.2 million net after the deduction of expenses). The Placing is conditional, *inter alia*, upon Admission occurring by no later than 8.00 a.m. on 14 November 2003, or such later time and date as Numis and the Company may agree, not being later than 8.00 a.m. on 28 November 2003.

In view of the size of Safa Group, IPS and the 60.7 per cent. interest in SafaTec UK relative to the Company, the Acquisitions will constitute a reverse takeover of HCEG under the AIM Rules and therefore require the prior approval of Shareholders at the Extraordinary General Meeting.

On 29 August 2003, Prestbury Investment Holdings Ltd ("Prestbury") entered into a legally binding commitment to subscribe for Ordinary Shares having a value of £300,000 together with warrants ("the Prestbury Warrants"). The commitment was made to provide the Company with the ability to cover professional fees and other costs incurred in relation to the Proposals. Whilst the Ordinary Shares which will be issued pursuant to these arrangements do not form part of the Placing Shares, these shares will be issued at the Placing Price and will be admitted to trading on AIM at the same time as the Placing Shares.

Further details of Safa Group, IPS and SafaTec UK and the terms of the Acquisitions and related transactions (including the Placing, the Facilities and issue of Warrants) are set out below.

Shareholders should note that the Acquisitions are interconditional. Application will be made to the London Stock Exchange for the admission of the Enlarged Share Capital and the Warrants to trading on AIM. Dealings are expected to commence in the Enlarged Share Capital and the Warrants on Friday 14 November 2003.

It is also proposed to make a bonus issue of Warrants (on the basis of 1 Warrant for every 10 Ordinary Shares) to Shareholders on the register on the Record Date, which for this purpose will be deemed to include Prestbury in respect of the Ordinary Shares to be issued to it pursuant to its commitment to the Company referred to above.

## **2 BACKGROUND TO HCEG**

HCEG, in its present form, was created as a result of the acquisition in March 2003 by Interactivity Group plc (as HCEG was then called) of the entire issued share capital of Healthcare Enterprise Group, Inc. ("HCEGI"), a global healthcare strategic and financial advisory firm, which acquisition constituted a reverse takeover for the purposes of the AIM Rules. Prior to the acquisition of HCEGI, Interactivity Group plc was a former consultancy which had disposed of its business and subsequently had sought acquisition opportunities. Upon completion of the acquisition of HCEGI, Interactivity Group plc changed its name to Healthcare Enterprise Group PLC.

HCEGI was formed in February 2001 as a result of a collaboration between London & Paific Healthcare Development, Inc. ("LPHD") and Moore Clayton & Co, Inc. ("MCCI"). LPHD is a life sciences private equity and advisory firm founded in November 1998 by its principals, Stuart Bruck and Michael Low. MCCI is a financial advisory firm specialising in the financial services, media & communications and energy industries and was founded in 1999.

The Company is currently the holding company of the HCEGI healthcare development business, which provides strategic advice and associated services primarily to early stage companies operating in the healthcare sector in return for fees which are payable in cash, equity or equity related securities. The Group has offices in Los Angeles, London and Wolfsburg, Germany. The Group currently has agreements with 14 companies to whom it provides these services.

The consideration for the acquisition of HCEGI was the issue to the vendors of approximately 1.18 billion new ordinary shares in the Company at a price of 0.625p per share, valuing the HCEGI business at approximately £7.4 million. An independent valuation of the HCEGI business performed at the time, as published in the Company's circular dated 14 February 2003, valued the business at between £10.57 million and £17.45 million on the basis of the methodology and assumptions set out in that document. The market capitalisation of the Company immediately prior to the time on 29 August 2003 when the Ordinary Shares were suspended from trading on AIM in the light of the Company's announcement made on that date in connection with the proposed reverse takeover the subject matter of this document was approximately £19.4 million.

The Group currently directly engages the services of 10 people and, through its relationship with MCCI is able to call upon the services of further individuals in the corporate finance sector.

Since March, the Board has conducted an extensive strategic review of the scope and nature of the Group's business activities. The specific areas of focus of that review were an examination of the Group's portfolio of interests and the identification of suitable acquisition and strategic opportunities with a view to developing a substantial healthcare services business. In the light of this review, the Board believes that the current operations of each of Safa Group, IPS and SafaTec UK make them appropriate acquisition targets for the Company.

The Group is also actively seeking appropriate acquisition targets and management contracts in the United States which satisfy its acquisition criteria and is in discussions regarding the acquisition of a healthcare consulting company in the United States. Details of the Company's acquisition criteria are set out in paragraph 3 below.

A financial summary of HCEGI (the Company's operating subsidiary) for the financial period ended 31 December 2001, the year ended 31 December 2002 and for the unaudited 3 month period to 31 March 2003 is set out below:

	<b>Period ended 31 December 2001</b>	<b>Year ended 31 December 2002</b>	<b>Unaudited 3 months ended 31 March 2003</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Income</b>			
Revenues	258,712	172,111	-
Investment — other	1	-	1,120
Interest	866	54	20
	<u>259,579</u>	<u>172,165</u>	<u>1,140</u>
<b>Expenses</b>	279,628	501,078	204,468
Net loss before tax	<u>(20,049)</u>	<u>(328,913)</u>	<u>(203,328)</u>
Net loss	<u>(20,049)</u>	<u>(328,913)</u>	<u>(203,328)</u>

### **Current Trading**

Since completion of the reverse takeover in March 2003, the Group has sought further to enhance the potential value of its interests in its portfolio companies through assisting such companies with the strategic development of their businesses. Whilst the Group is entitled to receive deferred revenues from advisory services upon the occurrence of financings of such companies and/or other conditions, it has not generated revenue from this source in the current financial period. However, the Group is presently conducting negotiations in connection with the realisation of its interests in certain of its portfolio companies, which if successfully concluded, would provide the Group with accelerated revenue.

Costs of operating the Group have increased significantly since 31 March 2003 relative to the aggregate costs which were incurred by the Company and HCEGI, in the case of the Company, in each of its financial periods beginning 1 October 2001 and in the case of HCEGI, in each of its financial periods beginning 1 January 2001. As at 30 September 2003, the Group had cash assets of approximately £350,000 (which includes the subscription monies received from Prestbury referred to in paragraph 1 above), a significant proportion of which would be applied towards payment of the costs in connection with the Proposals should they not proceed.

### **3 BACKGROUND TO, AND REASONS FOR, THE ACQUISITIONS**

The Directors and the Company's management team have considered a number of potential acquisitions for the Company and have focused on businesses operating in the medical products supply market (both wholesale and consumer) with a view to establishing a substantial healthcare services business. In Safa Group, IPS and SafaTec UK, the Directors believe that they have identified suitable businesses which together satisfy the Company's acquisition criteria, being businesses which demonstrate some or all of the following characteristics:

- providers of healthcare products and/or services;
- cash generative from operating activities;
- capable of growth through merger with synergistic businesses;
- capable of benefiting from the Company's expertise in realising business development opportunities; and
- ability to leverage HCEG's relationships outside the UK.

The Directors believe that the Acquisitions provide the Company with the opportunity to enhance Shareholder value through improved operating performance of the Enlarged Group for the reasons set out below under the heading "Principal Attractions of the Acquisitions."

#### ***Information on the Safa Group, IPS and SafaTec UK***

Both Safa and IPS are suppliers of occupational healthcare and first aid products to companies and first aid professionals in the UK and internationally. Safa and IPS also supply a wide variety of disposable and consumable medical and pharmaceutical supplies to the larger medical, veterinary and retail markets.

The general first aid retail market is supplied via business to business catalogue companies such as Viking Direct Limited and Spicers Ltd, high street retailers such as Tesco plc and Boots plc and private operators such as Wallace, Cameron & Co. Ltd.

Both Safa and IPS have recently introduced advanced replenishment systems designed to ensure that clients maintain adequate supplies to remain within the requirements of UK health and safety legislation. As a result of Safa and IPS's wide product range and marketing tools, the Directors and Proposed Director believe that the combined business of Safa and IPS will be well positioned in the market.

SafaTec UK has interests in a number of early stage healthcare companies which develop technology or products which the Directors believe may be introduced to the market, at the appropriate time, by the Enlarged Group. The Enlarged Group is expected to benefit from revenues deriving from its distribution of such products. In addition, SafaTec UK, in which the Enlarged Group will following Completion own a 60.7 per cent. interest, will derive revenue from any dividends which may be declared in respect of its interests in such companies and/or the subsequent realisation of such interests by it.

A financial summary of the continuing activities of the Safa Group for the three years ended 31 July 2002 and for the unaudited year ended 31 July 2003 and IPS for the three years ended 31 December 2002 and for the unaudited eight month period ended 31 August 2003 is set out below:

Details	Safa Group			
	Year Ended			
	31-Jul-00	31-Jul-01	31-Jul-02	31-Jul-03
	(£'000)	(£'000)	(£'000)	Unaudited (£'000)
Turnover	4,114	3,540	3,947	4,183
Cost of Sales	(2,290)	(2,041)	(2,322)	(2,404)
Gross Profit	1,824	1,499	1,625	1,779
Administrative Expenses	(1,484)	(1,967)	(1,655)	(1,733)
Operating Profit/(Loss)	340	(468)	(30)	46
Amortisation & Depreciation	163	142	106	102
EBITDA	503	(326)	76	148

The Directors, having made reasonable enquiries, consider that the past earnings of Safa Group have been affected by various abnormal and non-recurring items. An estimation of such items by the Directors (which do not appear as separate line items in the relevant audited accounts of Safa Group and so have not been separately opined upon by its auditors or otherwise independently reported on) is as follows:

	Year Ended		
	31-Jul-00	31-Jul-01	31-Jul-02
	(£'000)	(£'000)	(£'000)
Non-recurring management costs borne by Safa Group arising from discontinued activities	32	120	169
Legal and administrative costs in relation to Van Heek Medical (since wound up)	24	216	31
(Profit)/loss on disposal of fixed assets	(10)	(15)	22
Safa Medical set up costs	28	30	141
Total	74	351	363

The results of IPS are summarized as follows:

Details	IPS			Unaudited 8 Months Ended 31-Aug-03
	Year Ended			
	31-Dec-00	31-Dec-01	31-Dec-02	
	(£'000)	(£'000)	(£'000)	(£'000)
Turnover	5,882	5,813	6,492	4,455
Cost of Sales	(3,115)	(3,097)	(3,458)	(2,387)
Gross Profit	2,767	2,716	3,034	2,068
Administrative Expenses	(1,992)	(2,017)	(2,173)	(1,456)
Operating Profit	775	699	861	612
Amortisation & Depreciation	242	249	252	140
EBITDA	1,017	948	1,113	752

The Directors consider, having made reasonable enquiries, that the past earnings of IPS have been affected by certain non-recurring amounts of remuneration of the directors of IPS, which exceed that which will be paid following Completion (and which do not appear as separate line items in the relevant audited accounts of IPS and so have not been separately opined upon by its auditors or otherwise independently reported on), as follows:

	<b>31-Dec-00</b> <b>(£'000)</b>	<b>31-Dec-01</b> <b>(£'000)</b>	<b>31-Dec-02</b> <b>(£'000)</b>
Non-recurring directors' remuneration	50	21	146

Because SafaTec UK was only incorporated in April of this year, there is no historic financial information available other than a balance sheet as at 30 June 2003.

## **Information on Safa Group**

### **Introduction**

Safa Group, which is currently owned by Gordon Wood (who holds a majority of the ordinary share capital), 3i Group plc ("3i"), John Hardcastle and certain senior employees, is a holding company for its wholly owned trading subsidiary, Safa Limited ("Safa"). Safa is a supplier of occupational healthcare and first aid products to large companies and also certain governmental agencies and departments in the UK and of disposable medical products on a worldwide basis. Safa operates from a freehold building in Liverpool, which it has occupied since 1975. Following Completion, the Enlarged Group will review the property requirements and operational location of Safa Group and also IPS.

### **Safa Group Background and Structure**

Safa was created in 1966 by G Refson, a pharmacist. In 1990, Safa was sold to Associated Nursing Services plc and was subsequently sold to The Intercare Group plc in 1992. In 1996, Safa was acquired by a new holding company (Safa Group) established by its management team backed by 3i. In 1997, Safa Group acquired Van Heek Medical B.V. ("VHM"), a Dutch medical supply company. Safa also developed Safa Veterinary as a trading division of Safa. Safa Medical was formed as a trading division of Safa following the receivership of VHM and in 2003, Safa Veterinary was sold to SafaVet Ltd, a company outside the Safa group of companies but with which a trading relationship continues.

### **Safa Group Business**

The business of Safa comprises two divisions, Safa Healthcare and Safa Medical. While the Safa Healthcare division concentrates its efforts on customers in the UK, the Safa Medical division is primarily focused on selling products into the USA and mainland Europe.

#### ***Safa Healthcare Division***

The Safa Healthcare division supplies occupational health and first aid products to large established UK based companies, government agencies and departments, first aid professionals, veterinary companies, mail order clients, distributors and retailers. These business-to-business sales are underpinned by UK health and safety legislation that obligates employers to provide first aid equipment on site in case of employee-related injury in the workplace. Its customers include British Airways plc, British Telecommunications plc, Marks and Spencer plc and OGC Buying Solutions (a UK government supplies procurement agency). In addition, Safa has also, since 1999, operated in the consumer market for first aid products selling to distributors who on-sell through retail outlets such as Boots plc and AAH Pharmacies.

A team of representatives and a network of distributors in the UK support the sales of Safa Healthcare

products. Safa Healthcare also reaches its market by means of full colour catalogues and via the Internet, which together enable it to market a large number of products to its business customers, occupational health doctors and nurses.

### ***Safa Medical Division***

Safa Medical is a relatively recently-formed division of Safa which supplies both its "own label" healthcare products and third party "own label" healthcare products in mainland Europe and the USA to the medical, retail, home healthcare and veterinary markets. Its customers there include Global Healthcare Partners LLP and Afassco Incorporated. Safa Group has entered into a sole distribution agreement with Ebiox Limited ("Ebiox") in respect of the supply of Ebiox products, further details of which are set out below in the paragraph below entitled "SafaTec UK Business". These products are currently distributed via Safa Medical. To date, the contribution of Safa Medical to the revenues of the Safa Group has represented a small proportion of Safa Group's aggregate revenues.

### **Safa Current Trading**

Safa Group's revenue in the unaudited year ended 31 July 2003 showed a small increase over that of the preceding financial year. Its operating loss and loss after interest and taxation have improved from (£30,000) and (£140,000) in the year ended 31 July 2002 to an operating profit of £46,000 and a loss after interest and taxation of (£66,000) in the unaudited year ended 31 July 2003. This increase in revenue was attributable to improved sales from its overseas activities through Safa Medical, whilst at the same time there has been a reduction in UK sales. The Company's margins were slightly higher in the unaudited year ended 31 July 2003 compared to the previous financial year.

The Directors and the Proposed Director are satisfied with the performance of Safa Group's business since 31 July 2003 and are confident about its prospects as part of the Enlarged Group.

### **Information on IPS**

#### **Introduction**

IPS is a UK based supplier of medical products to occupational health and first aid professionals in the UK. Its customers include J. Sainsbury PLC and the Foreign and Commonwealth Office. IPS has approximately 50 employees and operates from freehold premises in Altrincham in Manchester. IPS also has additional leasehold offices with warehouse facilities in Birmingham and an export division in Hornchurch.

#### **IPS Background and Structure**

IPS was established in 1962. In 2000, Paul Mastalerz (who currently holds the majority of the shares), Carl Jones and Carl Jones' wife, Gillian, acquired its entire issued share capital from Hollister Europe Limited. Paul Mastalerz and Carl Jones will be involved as managing director and operations director respectively of the combined IPS and Safa businesses after Completion.

## **IPS Business**

IPS sells a comprehensive range of medical products, required by occupational health and first aid professionals, to employers and wholesalers in the UK and to various customers worldwide. The product range consists of approximately 1,500 products including first aid kits and components, emergency eye care products, dressings, pharmaceuticals, furniture, equipment and janitorial products.

In addition to supplying proprietary branded products, IPS has also introduced several innovative lines to the UK market which are specially formulated pharmaceuticals for use in industry, such as hydrofluoric acid burn gel.

IPS maintains a support team of 9 regional sales representatives throughout the UK. IPS also maintains a registered in-house pharmacy which specialises in assembly and packing of special kits to customers' requirements.

## **IPS Current Trading**

The growth in IPS's revenue has continued, with turnover of £4.5 million in the unaudited 8 month period ended 31 August 2003, compared with turnover of approximately £6.5 million in respect of the year ended 31 December 2002, and respective operating profits of £612,000 and £861,000 and profit after tax of £374,000 and £490,000. These upwards trends have continued in the current financial year to date. In particular, sales have been relatively buoyant and gross margins have remained constant. The markets for IPS's products have remained relatively constant and IPS considers that it has been able to maintain its market share.

## **Information on SafaTec UK**

### **SafaTec UK Introduction**

SafaTec UK has interests in four early stage companies which develop medical products or technologies ("Portfolio Companies"). The Directors consider that one of the main attractions of the SafaTec UK Acquisition is that it should afford the Enlarged Group the ability to benefit from the potential commercialisation of the Portfolio Companies' products. The Enlarged Group intends to enter into negotiations with each of Optiscope Technologies Limited ("Optiscope"), Elisha Medical Technologies Limited ("Elisha") and Biosilk Technologies Limited ("Biosilk"), all of which are situated in Israel, with a view to obtaining distribution rights over their products. The Directors consider that the interests of SafaTec UK in each of these entities will greatly assist in these negotiations. Safa currently enjoys the benefit of an agreement for the sole distribution of Ebiox products as described below.

### **SafaTec UK Background and Structure**

SafaTec UK Limited was incorporated in April 2003. It is currently controlled by Gordon Wood and Goosec Limited, a company incorporated in the British Virgin Islands in which Yechiel Lisner has a beneficial interest. Yechiel Lisner is a business associate of Gordon Wood and it is intended that he will be engaged by the Enlarged Group following Completion. As part of the SafaTec UK Acquisition, Gordon Wood will dispose of his entire legal and beneficial shareholding in SafaTec UK to HCEG. Upon completion of the SafaTec UK Share Purchase Agreement, the shareholders of SafaTec UK will be HCEG as to 60.7 per cent, Sinitus as to 2.5 per cent and Goosec as to the balance.

### **SafaTec UK Business**

SafaTec UK's business comprises its holding of interests in, and related rights over, the Portfolio Companies.

### ***Ebiox***

SafaTec UK currently holds 35 per cent. of the issued share capital of Ebiox, the balance being owned by Keith MacGregor, its managing director. The Company is currently negotiating to obtain an option under which it may increase the Enlarged Group's holding in Ebiox to a controlling interest.

Ebiox is a private UK company that produces a range of new and innovative cleansing and decontamination products based on a patented formula designed to penetrate and remove bacterial biofilm and embedded pathogens, with a view to providing a completely clean and disinfected surface preventing the development of resistant microbial strains. These products include impregnated wipes, a spray and immersion fluid for the cleansing of surgical instruments. Ebiox products can be used to clean skin, surgical instruments and a range of washable surfaces.

Ebiox has entered into a sole distribution agreement with Safa for the supply of current Ebiox products, as well as such other Ebiox products as may from time to time be agreed. The sole distribution rights apply to the global market for such products and are contingent upon Safa as distributor satisfying certain criteria on an ongoing basis, including certain minimum purchase requirements. Safa has agreed to supply these products to the National Health Service in the UK and to customers in Malta through Vernon-Carus Limited, a distribution and supply company. The Ebiox wipes product has already been purchased by a number of NHS hospitals and a contract has recently been granted for the purchase of wipes by NHS Purchasing and Supply Agency.

Safa has recently commenced the marketing of Ebiox products in the United States and has received expressions of interest from significant companies in the medical/pharmaceutical sector. The supply of Ebiox products in the United States will be subject to certain regulatory approvals.

### ***Optiscope***

SafaTec UK currently holds 15.28 per cent. of the issued share capital of Optiscope. A commitment has been made by Gordon Wood and Goosec to fund the acquisition by Safatec UK of an additional interest of 9.72 per cent. of the current issued share capital of Optiscope as soon as practicable following Completion and in any event no later than 60 days thereafter. Upon its acquisition of these additional interests, SafaTec UK's shareholding in Optiscope will increase to 25 per cent.

Optiscope is an early stage Israeli company developed within an Israeli government-sponsored incubator programme. The 15.28 per cent. stake in Optiscope was originally held by SafaTec Israel, but was transferred to SafaTec UK in June 2003. Optiscope has also confirmed that SafaTec UK has a right of first refusal to participate in any future equity fundraisings carried out by Optiscope.

Optiscope is developing technologically advanced optical viewing tubes for rigid endoscopes and complete disposable endoscopes. The design utilises new technology which is expected significantly to reduce the cost of manufacturing endoscopes without impairing their performance. Three large companies in this sector have all shown interest in these projects. In 2001, the worldwide sales of endoscopes was US\$4.4 billion and it is projected that sales will increase to US\$5.3 billion by 2005 (source: Theta Report dated August 2001). The US and European markets together constitute 77 per cent. of the world market for endoscopes.

The significant size of the market has led SafaTec UK and Optiscope to consider that revenue generation in respect of this technology would best be achieved by the licensing of this technology to a major US or European company.

### ***Other interests***

Details of SafaTec UK's two other interests, Elisha and Biosilk, are set out in paragraph 13 of Part X of the Prospectus.

## **Principal Attractions of the Acquisitions**

The Directors consider that the principal attractions of the Acquisitions are as follows:

- the combined operations of Safa Group and IPS should present operational synergies capable of being translated into cost savings (for example, in relation to business premises, information technology and marketing activities);
- the Acquisitions are anticipated to generate positive cash flow to HCEG;
- the Acquisitions provide the Enlarged Group with a larger platform to exploit what the Directors believe are consolidation opportunities available in the sector;
- Safa Group and IPS are established suppliers in the UK occupational health and first aid market whose customers include a number of large UK based (as well as international) companies;
- the Acquisitions provide a business platform for revenue generation and business development opportunities for certain of HCEGI's portfolio companies;
- SafaTec UK should provide the Enlarged Group with a significant opportunity to commercialise new and innovative healthcare products;
- the Enlarged Group should benefit from cross-selling opportunities between existing customers of Safa Group and IPS;
- the Enlarged Group should benefit from improved margins on the Enlarged Group's product range resulting from enhanced purchasing power; and
- the Enlarged Group would have access to a wider distribution and customer base.

Safa's business future should be enhanced by a consolidation with the business of IPS. The future attractiveness of the Safa business to the Company is as a business which would benefit from such consolidation.

Although IPS is being acquired by Safa rather than directly by the Company, all of the Acquisitions are conditional upon each other and are being funded by the Company. The Acquisitions are conditional also on the approval of Shareholders at the EGM. The acquired companies will form part of the Enlarged Group.

## **4 PRINCIPAL TERMS OF THE ACQUISITIONS AND RELATED TRANSACTIONS**

### ***The Safa Group Acquisition***

Under the terms of the Safa Group Share Purchase Agreement, the Company has conditionally agreed to acquire the entire issued share capital of Safa Group from the Safa Group Vendors. The total amount payable by HCEG on Completion will be approximately £2,750,000. The sum of approximately £974,724 will be the consideration due to the Safa Group Vendors as consideration for their shares in Safa Group. Of this amount, £200,000 will be satisfied by the issue to Gordon Wood of 20,000,000 Ordinary Shares (with 2,000,000 Warrants attached) at an issue price of 1p per Ordinary Share and the balance will be satisfied in cash. Approximately £1,775,276 will be used to discharge indebtedness of Safa Group. The Company intends to combine the businesses of Safa Group and IPS following completion of the Acquisitions in order to obtain the benefit of synergies between the two businesses and potential cost savings through the application of economies of scale.

### ***The IPS Acquisition***

Under the terms of the IPS Share Purchase Agreement, Safa has conditionally agreed to acquire the entire issued share capital of IPS from the IPS Vendors. The total amount payable by HCEG on Completion will be approximately £7.1 million of which the initial consideration comprises the payment to the IPS Vendors of £5,850,000 in cash and the issue to the IPS Vendors of 40,000,000 Ordinary Shares (with 4,000,000 Warrants attached) at an issue price of 1p per share.

Deferred consideration not exceeding £400,000 in cash may also become payable. The deferred consideration will be an amount equal to 50 per cent. of the pre-tax operating profits over a threshold of £1,250,000 of the combined Safa and IPS business for the 12 month period commencing 90 days after completion of the IPS Acquisition.

Safa has also agreed to pay £850,000 in order to discharge indebtedness of IPS.

Subject to completion of the Acquisitions and the Placing and the drawdown of necessary funds under the Facilities, the Company has agreed to guarantee the payment obligations of Safa under the IPS Share Purchase Agreement.

### ***The SafaTec UK Acquisition***

Under the terms of the SafaTec UK Share Purchase Agreement, the Company has conditionally agreed to acquire 60.7 per cent. of the entire issued share capital of SafaTec UK from the SafaTec UK Vendors for an initial consideration of £2,009,000 to be satisfied by the issue to the SafaTec UK Vendors on Completion of 190,900,000 Ordinary Shares (with 19,090,000 Warrants attached) at an issue price of 1p per Ordinary Share and the payment of £100,000 in cash to Gordon Wood.

Deferred consideration not exceeding £4,620,000 may also become payable. The deferred consideration will be payable (if at all) in tranches upon the attainment of up to six objectively quantifiable milestones on or before 30 June 2005. The deferred consideration will be satisfied by the issue of Ordinary Shares at 80 per cent. of the prevailing market value per share at the time the relevant milestone is attained.

In addition, further sums may be payable by the Company to the SafaTec UK Vendors in the event that Optiscope enters into licence agreements prior to 30 June 2005 with any third parties in respect of the endoscope products developed by Optiscope with an aggregate value to Optiscope of in excess of US\$5,000,000 (the "Further Amount").

The Further Amount will be satisfied (if at all) by the issue to the SafaTec UK Vendors of Ordinary Shares and/or loan notes.

The Company will provide a working capital loan facility of £500,000 to SafaTec UK following completion of the SafaTec UK Acquisition. This facility will be applied in connection with the financing requirements of the companies in which SafaTec UK has interests, and associated purposes, within the period expiring on 30 June 2005.

Each of the above agreements relating to the Acquisitions contain certain warranties and indemnities (subject to certain limitations) relating to the relevant acquired businesses.

### ***SafaTec UK Shareholders Agreement***

The SafaTec UK Shareholders Agreement will be entered into on Completion between Goosec, Sinitus Nominees Ltd ("Sinitus"), the Company and SafaTec UK. Goosec is a company incorporated in the British Virgin Islands in which Yechiel Lisner, who it is intended will be engaged by a member of the Enlarged Group following Completion, has a beneficial interest.

Under the terms of the SafaTec UK Shareholders Agreement, the Company will be entitled to appoint a majority of the directors to the board of SafaTec UK and will therefore have the power to control its day to day management. The Company will, however, undertake to Goosec and Sinitus, who will be the only other shareholders of SafaTec UK on Completion, inter alia, that SafaTec UK will not be operated in a manner which is unfairly prejudicial to their interests.

Yeziel Lisner and Gordon Wood will each undertake to notify the Enlarged Group of any commercial opportunities relating to companies developed in the Israeli incubator system identified by either of them with a view to the potential exploitation of such opportunities by the Enlarged Group.

#### ***SafaTec Israel Option Agreement***

As part of the arrangements in connection with the SafaTec UK Acquisition, upon Completion, the Company will be granted an option to acquire the entire issued share capital of SafaTec Israel from its shareholders, Gordon Wood and Goosec, for a consideration of US\$1.

## **5 PROCEEDS OF THE PLACING AND TERM LOAN FACILITIES**

### ***Application of proceeds***

The aggregate amount payable by the Company at Completion in connection with the Proposals is approximately £11,859,000, of which approximately £9,350,000 is payable in cash and £2,509,000 will be satisfied through the issue of 250,900,000 Consideration Shares (with Warrants attached) with associated costs of approximately £1,775,000 (including value added tax) of which approximately £1,620,000 will be payable in cash and the balance of £155,000 will be satisfied through the issue of Ordinary Shares (with Warrants attached).

The Minimum Subscription will, in conjunction with the Term Loan Facilities with Barclays Bank plc, be used to finance these cash obligations. The balance of the proceeds of the Minimum Subscription and the Term Loan Facilities and the Invoice Discount Facility Agreements (also with Barclays Bank plc) amounting to approximately £2,530,000 will be used to fund the Enlarged Group's working capital requirements.

### ***Dependence on the Placing***

Shareholders should note that if the Placing should not proceed, then the Directors would have to consider how best to conduct and to fund the Company's business in the future. This would involve some or all of the following: (i) an immediate reduction in the Company's overheads, a material part of which have been incurred in connection with the formulation and implementation of the Proposals; (ii) the redeployment of management efforts in relation to the Group's current portfolio of interests; (iii) the injection of additional funding; and (iv) an attempted acceleration of receipts from the strategic disposals of interests in certain of the Group's portfolio companies.

## **6 DETAILS OF THE PLACING**

Numis, as agent for the Company, has placed the Firm Placing Shares (with Warrants attached) with institutional investors at the Placing Price, which will raise the Minimum Subscription. Numis has also agreed to use its reasonable endeavours to place the balance of the Placing Shares (with Warrants attached) which will raise up to a further £500,000. The Placing is conditional, inter alia, upon Admission occurring by 8.00 a.m. on 14 November 2003, or such later time and date as Numis may determine being not later than 8.00 a.m. on 28 November 2003.

It is expected that the proceeds of the Placing will be received on or before 14 November 2003. In the case of placees requesting Placing Shares in uncertificated form, it is expected that the appropriate stock accounts will be credited with the Placing Shares comprising their Placing participation with effect from 14 November 2003. In the case of placees requesting Placing Shares in certificated form and in respect of the Warrants, it is expected that certificates in respect of the Placing Shares and Warrants will be despatched by post, by 21 November 2003.

Pending despatch of definitive share and warrant certificates or crediting of CREST accounts, the Company's registrar will certify any instruments of transfer against the register.

## **7 ISSUE OF WARRANTS**

Placees under the Placing will be issued with Warrants to subscribe for Ordinary Shares on the basis of:

### **1 Warrant for every 10 Ordinary Shares subscribed for under the Placing**

Holders of Ordinary Shares at the close of business on the Record Date will be issued with Warrants under the terms of the Bonus Issue on the basis of:

### **1 Warrant for every 10 existing Ordinary Shares held on the Record Date**

The relevant vendors under the Acquisitions will be issued with Warrants to subscribe for Ordinary Shares on the basis of:

### **1 Warrant for every 10 Consideration Shares issued at Completion**

Fractions of Warrants will not be allotted.

Each Warrant will entitle the holder thereof to subscribe for one Ordinary Share at a price of 1.5p per share on 30 June in 2004, 2005, 2006, 2007 and 2008.

With effect from Admission, the Warrants will be tradeable on AIM separately from the Ordinary Shares.

**If existing Shareholders have sold or transferred all or part of their holdings of existing Ordinary Shares, they are advised to consult their stockbroker or other agent through whom the sale or transfer was effected as soon as possible, as the right to receive Warrants under the Bonus Issue may represent a benefit which can be claimed from them by the purchasers or transferees of such shares.**

### ***Overseas Shareholders***

The issue of Warrants to persons not resident in the United Kingdom may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. No person receiving a copy of this document or a certificate representing Warrants in any territory other than the United Kingdom may treat the same as constituting an issue or allotment of Warrants or an offer to him/her to subscribe for shares in the Company nor should he/she purport to exercise any such Warrants unless, in the relevant territory, such an issue or allotment could lawfully be made to him/her or such Warrants could be lawfully exercised

without contravention of any registration or other legal or regulatory requirements.

In particular, neither the Warrants nor the Ordinary Shares arising on the exercise of such Warrants have been nor will be registered under the United States Securities Act of 1933, as amended, or the relevant Irish, Canadian or Australian securities legislation and may not be offered, sold, transferred, taken up or delivered directly or indirectly in the United States, its territories and possessions, Ireland, Canada or Australia. Warrants will not be issued or allotted nor will any certificate representing Warrants be sent to any shareholder whose registered or mailing address is in the United States, Ireland, Canada or Australia or to any shareholder whom Numis has reason to believe is resident in the United States, its territories and possessions, Ireland, Canada or Australia. Notwithstanding the above, Warrants may be issued and allotted to certain persons in the United States of America at the sole discretion of the Company in a manner designed not to contravene the laws of any part of the United States of America, or to require registration of the Warrants or the Ordinary Shares arising on the exercise of such Warrants under the United States Securities Act of 1933 (as amended) and, in particular, may be issued to qualified institutional buyers in reliance on the exemption from the registration requirement of the United States Securities Act of 1933 provided by Rule 144(A), to non-US persons in offshore transactions not subject to the registration requirements of the said Act by virtue of Regulation S promulgated thereunder or pursuant to any other applicable exemption.

It is the responsibility of any person receiving a copy of this document and/or a certificate representing Warrants to satisfy himself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining of all necessary governmental or other consent which may be required or observing any other formalities needing to be observed in such territory.

## **8 PRINCIPAL TERMS OF THE FACILITIES**

The Company and Barclays Bank plc have entered into the Term Loan Facilities Agreement dated 18 October 2003. Under the Term Loan Facilities Agreement, the Bank has conditionally agreed to make available to the Company term loan facilities in the aggregate amount of £2,750,000. In addition, the Bank has agreed to provide the Invoice Discount Facilities. The Term Loan Facilities and the Invoice Discount Facilities are to be secured, *inter alia*, over the assets and undertakings of certain members of the Enlarged Group by way of fixed and floating charge.

## **9 PROSPECTS OF THE ENLARGED GROUP**

The Company intends fully to explore the revenue generating opportunities within the Enlarged Group as well as expanding outside the existing UK market into the EU, in particular Germany. HCEG intends to leverage select companies in its portfolio to create business development opportunities.

The Directors consider that the prospects of the Enlarged Group will be significantly enhanced as a result of the Proposals, the anticipated benefits of which are set out in paragraph 3 above.

## 10 DIRECTORS AND PROPOSED DIRECTOR

### *Directors*

#### *Stuart Bruck (53) (Executive Chairman)*

Stuart Bruck is Executive Chairman of the Company and has over twenty-five years of executive-level experience in the healthcare industry. Before forming LPHD in 1998, he became chief executive officer of Barbican Healthcare plc, an AIM listed healthcare company, in April 1997. This company was sold successfully to BUPA in 1999.

Mr. Bruck began his career with the United Hospital Fund of New York in 1974, joined National Medical Enterprises Inc. (now Tenet Healthcare) in 1979 and in 1984, was appointed vice president of marketing and development at Nu-Med, Inc., a publicly traded healthcare management company. In 1990, he became a principal of Medical Development and Technology, Inc., before selling it and joining AHI Healthcare Systems, Inc., a physician practice management company, as senior vice president in 1992. Mr. Bruck is also a co-founder of University Healthcare Management, Inc., a Los Angeles-based clinic company focussing on the Hispanic population centres in the US, in which HCEGI has an option to acquire an equity interest.

Mr. Bruck's role within the Enlarged Group is to have overall responsibility for determining and implementing its strategy, for identifying and assessing potential investments and for advising clients on strategy, acquisitions and business development.

#### *Michael Low (48) — Chief Executive Officer, North America*

Michael Low is Chief Executive Officer of the Company's North American operations. He has over twenty years of experience in the healthcare industry, covering business development, strategic planning and mergers and acquisitions. Prior to joining HCEGI, Mr. Low co-founded Medical Development and Technology, Inc. with Mr. Bruck, and was subsequently appointed vice president for business development at AHI Healthcare Systems, Inc. in 1993.

Previous to this, Mr. Low held business development, strategic planning and consulting positions with a variety of healthcare organisations. Mr. Low is responsible for the day-to-day management of the North American operations of the Enlarged Group including client liaison, research and business planning.

#### *Lyndon Gaborit CA (56) — Finance Director and company secretary*

Lyndon Gaborit was the Chief Operating Officer (Europe) for MCCI in 2002. He is an Australian chartered accountant who from 1991 to 1997 was retained by ConAgra Foods Inc, at which time he advised on a wide range of acquisitions and business development activities in the food and agribusiness sector in Europe, Australasia and the USA. From 1988 to 1990 he was General Manager Group Strategy for Elders IXL Limited in London and Melbourne, specialising in food, agribusiness and international business. Prior to that, from 1987 to 1988 he was UK Managing Director of Winterbottom Group Holdings Ltd, which invested in a wide range of industrial companies.

Mr Gaborit will be responsible for overseeing the financial and administration functions of the Enlarged Group and for negotiating acquisitions and corporate development.

*Nicholas Brigstocke (61) — Non-executive Director*

Nicholas Brigstocke is a non-executive director of the Company and is also a director of HCEGI. Between 1998 and 2001, he was Chairman of UK Equity Capital Markets at Credit Suisse First Boston ("CSFB") in London following CSFB's acquisition of Barclays de Zoete Wedd ("BZW"), where he was Chairman and Managing Director of UK Corporate Broking. Prior to that he was head of the institutional equity sales team and a member of the equity management committee at BZW. He is also a non-executive director of Turbo Genset Inc., Azure Dynamics Inc., Bridgewell Group Limited and DDD Group PLC.

*Anthony Moore (57) — Non-executive Director*

Anthony Moore is a non-executive director of the Company. He is also co-chairman and Chief Executive Officer of MCCI. Prior to co-founding MCCI, he was President and CEO of New Energy Technologies, a subsidiary of New Energy Inc., which was at the time a substantial deregulated energy services provider in the US.

Mr. Moore was previously chairman of corporate finance at BZW in London. From 1982 to 1991, he held various senior positions with Goldman Sachs including head of investment banking in Tokyo, Managing Director of Goldman Sachs Asia in Hong Kong and executive director responsible for large corporate clients in London. He has lived and worked in London, Paris, Tokyo, Hong Kong, New York and Los Angeles.

*Mark Tompkins (62) — Non-executive Director*

Mark Tompkins is a non-executive director of the Company. He is also a private investor with experience in assisting emerging companies in Europe and the USA. His prior experience includes investment banking, management consulting and investment advice on an international basis. He currently serves, inter alia, on the board of Sodexho Alliance SA, the Paris listed food services and facilities management company. In the past he has served on the boards of two New York Stock Exchange listed healthcare companies, Abbey Healthcare Group Inc. and Apria Healthcare Group Inc. and on that of AIM-quoted Bioprojects International PLC.

***Proposed Director***

*Gordon Wood (41) — Proposed Chief Executive Officer, Europe*

On Completion, Gordon Wood will become the Chief Executive Officer for HCEG's operations in Europe.

After starting his career in healthcare in 1983 with Hoechst AG, Gordon Wood moved to the newly merged veterinary businesses of ICI and Wellcome in 1987. In 1989 Mr. Wood established his own business-to-business company encompassing Dunnwood Ltd, DataVet Systems and the Vetfile locum agency servicing the UK veterinary sector. In 1993 he successfully divested of his interests in this business, joining Lloyds Chemists plc in the process as Commercial Director of its veterinary division. In October 1994 he was recruited by The Intercare Group plc as Managing Director of the medical products division before leading the management buy out of Safa from Intercare in 1996. Mr. Wood has remained as Managing Director of Safa Group since 1996.

Mr. Wood is a founder of SafaTec Israel and a director of and shareholder in SafaTec UK. Mr. Wood also serves on the board of Ebiox Limited, in which SafaTec UK has a 35 per cent. shareholding. In 2001, Mr. Wood established Safasia, a medical dressings sourcing company based in Asia which provides certain of the products marketed by Safa Group. Safasia does not form part of the Safa Group and is not being acquired under the Acquisitions.

## **11 ADMISSION TO TRADING ON AIM**

Application will be made to the London Stock Exchange for the Enlarged Share Capital and the Warrants to be admitted to trading on AIM. Admission is expected to become effective and trading in the Enlarged Share Capital and the Warrants is expected to commence on 14 November 2003.

Application will be made in due course for the Ordinary Shares issued on conversion of the Warrants to be admitted to trading on AIM. Such Ordinary Shares will rank pari passu with the then existing Ordinary Shares, save that they will not rank for any dividends or other distributions declared or paid on the Ordinary Shares by reference to a record date prior to the relevant conversion date.

## **12 EXTRAORDINARY GENERAL MEETING**

**You will find set out at the end of this document a notice of Extraordinary General Meeting of the Company to be held at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN at 11.00 a.m. on Thursday 13 November, 2003 at which the Resolutions will be proposed. The Special Resolution will be proposed, inter alia, to:**

- approve each of the Safa Group Share Purchase Agreement, the IPS Share Purchase Agreement and the SafaTec UK Share Purchase Agreement and associated transactions;
- grant the Directors the necessary authorities to allot the Placing Shares, the Consideration Shares, the Warrants and generally;
- approve the grant of certain options over Ordinary Shares to Gordon Wood and Numis; and
- approve an amendment to the Non-approved Part of the Share Option Scheme to allow options to be granted at a discount to the then market value of Ordinary Shares.

Ordinary resolutions will also be proposed to receive and adopt the report and accounts of the Company for the period from 30 September 2002 to 28 February 2003 which were sent to Shareholders on 29 August 2003 and to re-appoint the Company's auditors.

### **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Latest time and date for receipt of forms of proxy in respect of the EGM	11.00 a.m. on Tuesday 11 November 2003
Record Date for the Bonus Issue	Wednesday 12 November 2003
Extraordinary General Meeting	11.00 a.m. on Thursday 13 November 2003
Completion of the Acquisitions and the Placing	8.00 a.m. on Friday 14 November 2003
Admission effective and dealings commence on AIM	8.00 a.m. on Friday 14 November 2003
CREST accounts credited	Friday 14 November 2003
Despatch of certificates for Ordinary Shares and Warrants	by Friday 21 November 2003

## **APPENDIX**

### **DEFINITIONS**

*The following definitions apply throughout this announcement, unless the context requires otherwise:*

"3i"	3i Group PLC
"Acquisitions"	the Safa Group Acquisition, the SafaTec UK Acquisition and the IPS Acquisition or any of them, as the context requires
"Act"	the Companies Act 1985, as amended
"Admission"	admission of the Enlarged Share Capital and the Warrants to trading on AIM becoming effective in accordance with the AIM Rules
"Adopted Share Option Plan"	the amended and restated 2001 L&P MCC, Inc. stock option plan, which was adopted by the Company in connection with the acquisition of HCEGI in March 2003
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the AIM rules for companies, as issued by the London Stock Exchange
"Bank"	Barclays Bank plc
"Bonus Issue"	the proposed bonus issue of up to 140,467,684 equity warrants (subject to adjustment to reflect any exercise of Options prior to the Record Date) to Shareholders whose names appear on the register of shareholders on the Record Date, on the basis of 1 warrant for every 10 Ordinary Shares held
"Business Day"	a day other than a Saturday or Sunday on which banks are ordinarily open for the transaction of normal banking business in London
"Company" or "HCEG"	Healthcare Enterprise Group PLC
"Completion"	completion of the Acquisitions or any of them, as the context requires
"Consideration Shares"	the 250,900,000 Ordinary Shares to be issued at Completion as part consideration for the Acquisitions
"Deferred Shares"	non-voting deferred shares of 0.4p each in the capital of the Company

"Directors" or "Board"	the directors of the Company at the date of this document, whose names are set out on page 3 of this document
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Enlarged Group"	together, the Company and its subsidiaries following Completion
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for 11.00 a.m. on 13 November 2003, notice of which is set out at the end of this document
"Facilities"	together the Term Loan Facilities and the Invoice Discount Facilities
"Firm Placed Shares"	the 1,000,000,000 Placing Shares which have at the date of this document been conditionally placed by Numis pursuant to the terms of the Sponsorship and Placing Agreement
"Form of Proxy"	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM
"Goosec"	Goosec Limited, a company incorporated in the British Virgin Islands
"Group"	the Company and its subsidiary, HCEGI
"HCEGI"	Healthcare Enterprise Group, Inc., formerly called L&P MCC, Inc., a Delaware corporation and a wholly owned subsidiary of the Company
"Invoice Discount Facilities"	the invoice discount facilities of a maximum principal amount of £750,000 to be made available to Safa and IPS pursuant to the Invoice Discount Facility Agreements
"Invoice Discount Facility Agreements"	the conditional agreements in the agreed form to be entered into on Completion pursuant to which the Bank has agreed to make available to Safa and to IPS the Invoice Discount Facilities
"IPS"	Industrial Pharmaceutical Service Limited, a company incorporated in England and Wales
"IPS Acquisition"	the proposed acquisition by Safa of the entire issued share capital of IPS pursuant to the IPS Share Purchase Agreement

"IPS Share Purchase Agreement"	the conditional agreement dated 18 October 2003 between Safa (1) the IPS Vendors (2) and the Company as guarantor (3) relating to the IPS Acquisition
"IPS Vendors"	Paul Mastalerz (1) Carl Jones (2) and Gillian Jones (3)
"London Stock Exchange"	London Stock Exchange plc
"LPHD"	London & Pacific Healthcare Development, LLC, a Delaware limited liability company
"LPMCC"	LPMCC, LLC, a Delaware limited liability company and a major shareholder in HCEG
"MCCI"	Moore, Clayton & Co., Inc.
"Minimum Subscription"	the gross amount to be received from placees in respect of the Firm Placed Shares, being £10,000,000
"Moore Health"	Moore Health Care Limited, the wholly owned subsidiary of Safa
"Numis"	Numis Securities Limited, the Company's broker and nominated adviser, which is authorised and regulated by the Financial Services Authority
"Official List"	the Official List of the UK Listing Authority
"Options"	options over Ordinary Shares granted under the Share Option Scheme and the Adopted Share Option Plan and options over Ordinary Shares held by LPMCC or any of them as the context requires
"Ordinary Resolutions"	the ordinary resolutions of the Company set out in the Notice of Extraordinary General Meeting at the end of this document to adopt the report and accounts of the Company for the period from 30 September 2002 to 28 February 2003 and to reappoint the Company's auditors
"Ordinary Shares"	ordinary shares of 0.1p each in the capital of the Company
"Placing"	the placing by Numis of the Placing Shares (with Warrants attached) at the Placing Price on the terms of the Sponsorship and Placing Agreement

"Placing Price"	1p per Ordinary Share
"Placing Shares"	up to a maximum of 1,050,000,000 Ordinary Shares which are the subject of the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Prestbury"	Prestbury Investment Holdings Limited, a company incorporated in England and Wales
"Prestbury Warrants"	the 30,000,000 equity warrants which the Company has agreed to issue to Prestbury as part of Prestbury's subscription commitment to the Company dated 29 August 2003
"Proposals"	together, the Acquisitions, the Placing, the Facilities, Admission and all related matters
"Proposed Director"	Gordon Wood, details of whom are set out in paragraph 13 of Part I of this document
"Record Date"	12 November 2003
"Regulations"	the Uncertificated Securities Regulations 2001 ( <i>SI 2001/3755</i> )
"Resolutions"	the Special Resolution and the Ordinary Resolutions
"Safasia"	Safasia Co. Ltd, a company incorporated in Thailand and which does not form part of the Acquisitions
"Safa"	S.A.F.A. Limited, a company incorporated in England and Wales
"Safa Group Acquisition"	the proposed acquisition by the Company of the entire issued share capital of Safa Group pursuant to the Safa Group Share Purchase Agreement
"Safa Group"	The S.A.F.A. Group Limited, a company incorporated in England and Wales and, where the context requires, its subsidiary, Safa
"Safa Group Share Purchase Agreement"	the conditional agreement dated 18 October 2003 between the Company (1) and the Safa Group Vendors (2) relating to the Safa Group Acquisition
"Safa Group Vendors"	Gordon Wood (1) 3i (2) John Hardcastle (3) Mavis Birchall (4) and Irene Symes (5)

"SafaTec UK"	SafaTec (UK) Limited, a company incorporated in England and Wales
"SafaTec Israel"	SafaTec Limited, a company incorporated in Israel
"SafaTec UK Acquisition"	the proposed acquisition by the Company of 60.7 per cent. of the issued share capital of SafaTec UK pursuant to the SafaTec UK Share Purchase Agreement
"SafaTec UK Share Purchase Agreement"	the conditional agreement dated 18 October 2003 between the Company (1) and the SafaTec UK Vendors (2) relating to the SafaTec UK Acquisition
"SafaTec Israel Option Agreement"	the agreement to be entered into on Completion by Goosec (1) Gordon Wood (2) and the Company (3)
"SafaTec UK Shareholders Agreement"	the agreement to be entered into on Completion by Goosec (1) Sinitus (2) the Company (3) and SafaTec UK (4)
"SafaTec UK Vendors"	Gordon Wood (1) Goosec (2) Sinitus (3) and the trustees of the Safa Trust (4)
"Shareholders"	holders of Ordinary Shares
"Share Option Scheme"	the Healthcare Enterprise Group PLC 2003 Share Option Scheme
"Sinitus"	Sinitus Nominees Ltd., a company incorporated in the British Virgin Islands
"Special Resolution"	the special resolution of the Company set out in the Notice of Extraordinary General Meeting at the end of this document necessary for the implementation of the Proposals
"Sponsorship and Placing Agreement"	the conditional agreement dated 18 October 2003 between the Company (1) Numis (2) and the Directors and Proposed Director (3) in relation to Admission and the Placing
"Term Loan Facilities"	the term loans of £2,750,000 in aggregate to be provided by the Bank to the Company under the terms of the Term Loan Facilities Agreement
"Term Loan Facilities Agreement"	the conditional agreement dated 18 October 2003 pursuant to the terms of which the Bank has agreed to make the Term Loan Facilities available to the Company

"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
"Warrants"	a maximum of 267,107,684 equity warrants (subject to adjustment to reflect any exercise of Options prior to the Record Date) to be issued by the Company under inter alia (1) the Placing (2) the Bonus Issue and (3) the agreements in connection with the Acquisitions, which in each case are proposed to be admitted to trading on AIM and which entitle the holders thereof to subscribe for Ordinary Shares at a price of 1.5p per share (subject to adjustment), excluding the Prestbury Warrants

All references in this document to time are to London time.