

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or transferred all of your Ordinary Shares in Healthcare Enterprise Group PLC, you should send this document, together with the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Directors of the Company, whose names appear on page 1, 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 this document makes no omission likely to affect the import of such information.

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# **Healthcare Enterprise Group PLC**

*(Registered number 3627383)*

## **Proposed cash placing**

### **Proposed renewal of dis-application of statutory pre-emption rights**

### **Approval of amendment to the Healthcare Enterprise Group PLC 2003 Share Option Scheme**

**and**

### **Notice of Extraordinary General Meeting**

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Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 1 to 4 of this document and which recommends you to vote in favour of the Resolutions which are to be proposed at the Extraordinary General Meeting of the Company.

**The Extraordinary General Meeting of the Company is to be held at Kempson House, Camomile Street, London EC3A 7AN on 28 February 2006 at 11.00 a.m. A form of proxy for use at the Extraordinary General Meeting, at which the Resolutions will be considered, is enclosed. To be valid the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, but in any event not later than forty-eight hours before the Extraordinary General Meeting. Completion and posting of the form of proxy will not prevent a Shareholder from attending and voting in person at the Extraordinary General Meeting.**

Copies of this document are available from the office of Numis Securities Limited, Cheapside House, 138 Cheapside, London EC2V 6LH during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date of the Extraordinary General Meeting.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

*2006*

Admission and dealings in the Firm Placing Shares expected to commence on AIM	8 a.m. on 9 February
Latest time and date for receipt of form of proxy to be valid at the Extraordinary General Meeting	11.00 a.m on 26 February
Extraordinary General Meeting	11.00 a.m on 28 February
Admission and dealings in the Conditional Placing Shares expected to commence on AIM	8 a.m. on 6 March

All events listed in the above timetable following the Extraordinary General Meeting are conditional on the passing of the Issue Authority Resolution.

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## DEFINITIONS

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

“Admission”	admission to trading on AIM;
“AIM”	the market of that name operated by the London Stock Exchange plc;
“Board” or “Directors”	the board of directors of the Company;
“Company”	Healthcare Enterprise Group PLC (registered number: 3627383);
“Conditional Placing Shares”	the 14,914,287 Ordinary Shares conditionally placed with investor(s) that will be allotted following the EGM provided the Issue Authority Resolution is passed;
“EGM”	the extraordinary general meeting of the Company to be held at 11.00 a.m. on 28 February 2006;
“Firm Placing Shares”	the 9,371,430 Ordinary Shares placed firm with investors and to be issued on or around 9 February 2006;
“Issue Authority Resolution”	the resolution set out in the Notice of the EGM relating to the dis-application of statutory pre-emption rights in relation to cash placings (including the Conditional Placing Shares);
“Numis Securities”	Numis Securities Limited, a company incorporated in England and Wales with registered number 02285918;
“Option Resolution”	the resolution set out in the Notice of the EGM relating to the increase of the dilution limit contained in the Option Scheme;
“Option Scheme”	the Healthcare Enterprise Group PLC 2003 Share Option Scheme;
“Options”	the options granted and proposed to be granted under the Option Scheme as set out on page 4 of this document;
“Ordinary Shares”	ordinary shares of 2.5 pence each in the capital of the Company;
“Placing”	the placing by Numis Securities Limited on behalf of the Company of the Firm Placing Shares and the Conditional Placing Shares at a price of 14 pence per share;
“Placing Agreement”	the conditional placing agreement dated 3 February 2006 between the Company (1) and Numis Securities (2) relating to the Placing;
“Placing Shares”	the Conditional Placing Shares and the Firm Placing Shares;
“Resolutions”	the Option Resolution and the Issue Authority Resolution;
“Rollover Options”	options granted under the amended and restated 2001 L&P MCC, Inc. stock option plan, which was adopted by the Company in connection with the acquisition of Healthcare Enterprise Group, Inc. (formerly known as L&P MCC, Inc.);
“Shareholders”	the holders of the Ordinary Shares;

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

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## PART I

### LETTER FROM THE CHAIRMAN

# Healthcare Enterprise Group PLC

*(incorporated and registered in England and Wales with registered number 3627383)*

*Directors:*

Henry John Mark Tompkins *(Non-executive Chairman)*  
Lyndon James Gaborit *(Executive Deputy Chairman)*  
Gordon Alexander Wood *(Executive Director)*  
Nicholas Owen Brigstocke *(Non-executive Director)*  
Nigel William Wray *(Non-executive Director)*

*Registered office:*

Second Floor  
College House  
272 King's Road  
London SW3 5AW

3 February 2006

*To the Shareholders and for information only to the holders of warrants issued by the Company, and to the holders of options under the Company's share option schemes*

Dear Shareholder

### **Proposed cash placing, dis-application of statutory pre-emption rights and amendment to the Option Scheme**

#### **INTRODUCTION**

The purpose of this document is to provide you with details of, and the reasons for, the proposed cash placing, the proposed dis-application of statutory pre-emption rights in connection with the placing of the Conditional Placing Shares and other cash placings of Ordinary Shares from time to time and the proposed amendment of the Option Scheme.

Your Company announced on 31 January that it intended to raise approximately £2.5 million through an equity fund raising. Pursuant to the Placing Agreement, Numis Securities has agreed to assist the Company by seeking places for 9,371,430 Firm Placing Shares and 14,914,287 Conditional Placing Shares, all at 14p per share. The Firm Placing Shares will be issued and admitted to trading on AIM on or about 9 February 2006, provided the Placing Agreement is not terminated prior to this date, but the issue of the Conditional Placing Shares is conditional on the passing by shareholders of the Issue Authority Resolution, which will give the Directors authority to disapply statutory pre-emption rights in respect of the allotment of the Conditional Placing Shares.

The funds raised under the Placing will be used, in conjunction with the Group's existing funds, to provide working capital in the near term to (i) support Healthcare Sales & Service Ltd ("HSS") in Warrington, (ii) enable the Group to satisfy its obligations under certain milestone contract payments; and (iii) ensure the Group has adequate resources, following its strategic review, to implement its business plan.

In order to reflect the hard work of its Directors and employees since the 16 November 2005 announcement, the Company has granted certain high level members of the management team a number of Options. The Company also intends to grant relevant employees further options following the EGM. However, the Option Scheme prevents the Company from putting more than 10 per cent. of its ordinary share capital under option in any ten-year period (excluding Rollover Options and options granted prior to the adoption of the Option Scheme on 10 March 2003). Consequently, as

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the proposals would lead to this limit being approached, and as the Company wishes to retain some headroom to grant further Options in the future, the approval of Shareholders to amend the relevant limit to 13 per cent. of the Company's ordinary share capital is being sought.

I am therefore writing to you with further details of the Placing, the proposed amendment to the Option Scheme, the grant of Options and to give you notice of an EGM to be held at 11.00 a.m. on 28 February 2006 at Kempson House, Camomile Street, London EC3A 7AN.

### **RECENT DEVELOPMENTS**

As announced on 31 January 2006, the Board has substantially completed its review of the Group's businesses and assets with the purpose of maximising Shareholder value and cash generation.

The review has concentrated on two areas in particular. The first being the operating performance at HSS in Warrington, the Group's principal revenue generating business, and second a re-assessment of the Group's spending commitments over the next 12 months in terms of its various development initiatives, with a view to limiting extraneous expenditure but continuing to support those projects that Directors believe are in Shareholders' best interests.

With the proposed appointment of Joe Considine as executive chairman of HSS and other management changes, outlined below, the Company has completed the strategic review of HSS and put in place a financial plan that should establish a solid operating framework for HSS.

The problems the Group encountered whilst integrating the Crest Medical business, acquired in November 2004, have now largely been understood and a way forward has been identified. Particular focus has been centred on inventory control and reducing the size of the debtors ledger. In addition, actions have been taken to stabilise revenues, improve customer service levels, and refocus the Crest Medical sales force to increase sales.

Subject to the completion of the Firm Placing, the Board believes that the problems affecting the Warrington operation of HSS are being addressed and is confident that the HSS business should return to operational profitability, on a month-by-month basis, in the reasonably near future.

In relation to the other parts of the Group's business, following the review, the Company will continue to support Ebiox, Optiscope and its women's health division, although the rate of investment will be closely aligned to each unit's potential and development schedule.

The Directors believe that the awaited federal and state EPA approvals in the USA for its Ebiox product should be forthcoming later this year. Following, and subject to, the receipt of these approvals, the Company will activate its marketing programme in the USA. In other countries progress continues to be made.

Progress on the development of Optiscope continues to be good. As previously announced the product has met current technical milestones and the Board is looking to maximise the value of Optiscope in the near term.

The women's health investments are being maintained and are, in the Board's opinion, making progress.

### **BOARD AND MANAGEMENT CHANGES**

The Company has made further Board and management changes. Mark Tompkins remains the Chairman of the Group while Lyndon Gaborit will take on the role of Executive Deputy Chairman and becomes interim Chief Financial Officer, pending the appointment of a permanent replacement. Stuart Bruck has left the Board. Nicholas Brigstocke and Nigel Wray continue as independent non-executive directors.

Gordon Wood, who remains on the Board, becomes Executive Chairman of both Ebiox Limited and SafaTec (UK) Limited, the subsidiaries of the Company responsible for the development and commercialisation of Ebiox, Optiscope and the Group's women's health portfolio.

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Joe Considine will be appointed to the position of Executive Chairman of HSS. He has considerable experience of advising distribution businesses, especially those requiring changes to improve performance and enhance shareholder value.

#### **TERMS OF THE PLACING**

The Placing, principally with institutional shareholders and the Directors, is of 9,371,430 Firm Placing Shares and 14,914,287 Conditional Placing Shares, all at 14p per share. In consideration for arranging the Placing, Numis Securities will be entitled to a commission of 4 per cent. of the value of those Ordinary Shares placed by Numis Securities on behalf of the Company (excluding the Ordinary Shares subscribed for by the Directors), amounting to £112,800.

At the Company's Annual General Meeting on 20 July 2005, shareholders passed resolutions granting the directors authority to allot 50,201,230 Ordinary Shares, and disapplying the statutory pre-emption rights on new issues in respect of 15,060,400 Ordinary Shares. The placing of the Firm Placing Shares, together with the placing conducted in September 2005 and other relevant allotments, renders the second of these authorities insufficient to allow the placing of the Conditional Placing Shares to proceed without further shareholder approval. Accordingly, the placing of the Conditional Placing Shares is conditional on the passing by Shareholders of the Issue Authority Resolution. The issue of the Firm placing Shares is conditional on the Placing Agreement not being terminated prior to the Admission of such shares.

The Company is, therefore, proposing the Issue Authority Resolution, which is a special resolution, to grant further authority to the Directors to allot shares for cash without the application of statutory pre-emption rights. This authority, if approved, will enable the Company to issue the Conditional Placing Shares and, in addition, issue Ordinary Shares for cash with an aggregate nominal value of up to £465,974, representing 10 per cent. of the nominal value of the shares in issue following the allotment of the Placing Shares.

The reason for taking this new authority is to give the Directors flexibility to raise cash by way of a private placement without having to implement a rights issue or open offer which may be disproportionately expensive.

#### **USE OF PROCEEDS OF THE PLACING**

The net proceeds of the Placing (assuming the implementation of the Conditional Placing), after costs estimated to be approximately £196,375, are expected to be approximately £3.2 million. This sum will be used, in conjunction with the Group's existing funds, to provide approximately £1.1 million of funding to support (in the near term) HSS, an estimated £0.5 million to enable the Group to satisfy its obligations under certain milestone contract payments and the balance to ensure the Group has adequate resources to implement its business plan. However, it should be noted that the continuing working capital position of the Company for the next 12 months (taking into account the proceeds of the Firm Placing together with the Group's banking facilities) is not, in the view of the Board, dependent upon the sums being raised in the Conditional Placing, which is subject to approval by Shareholders at the EGM. Although the Placing represents a discount of 17.7 per cent. to the middle market quotation as at 2 February 2006, the Directors consider this discount is justified in order to raise the necessary funds to achieve these objectives.

#### **DIRECTORS' INTERESTS IN THE PLACING**

Each of the directors (and where relevant, their connected persons) have agreed to subscribe under the Placing. In total, those directors will acquire 4,142,858 Firm Placing Shares at the Placing Price. This represents 2.2 per cent. of the issued share capital as enlarged by the Placing, assuming the Issue Authority Resolution is passed and the Conditional Placing Shares are allotted ("**Enlarged Issued Share Capital**"). Following completion of the Placing, the Directors will collectively own or be interested in 34,695,413 Ordinary Shares representing approximately 18.6 per cent. of the Enlarged Issued Share Capital. Further details are set out in the table contained in Part II of this document.

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## **GRANT OF SHARE OPTIONS TO EMPLOYEES AND MEMBERS OF THE MANAGEMENT TEAM**

The Directors consider that the efforts made by the reshaped management team and the Group's staff since problems were initially identified at HSS have led to good progress being made. In light of this, they believe that such efforts merit recognition in a form that will continue to incentivise the management team and employees to improve the Company's performance. To achieve this aim, a pool of 3.5 million Options has been created. It is intended to distribute part of this pool among relevant staff shortly after the EGM. The grant of these Options, together with those granted to the management team described below, will, however, require the dilution limit in the Option Scheme to be amended. This will also allow the Company the flexibility to grant further Options in the future. Shareholder approval is required to amend the dilution limit and accordingly the Option Resolution is being proposed at the EGM. The effect of the Option Resolution will be to allow the Company to put up to 13 per cent. (rather than the current limit of 10 per cent.) of its ordinary share capital under option (excluding Rollover Options and options granted prior to the Option Scheme being adopted on 10 March 2003). In the event that the Option Resolution is not passed, the proposed grants may be scaled back.

In addition to the Options described above, the Company's Remuneration Committee has granted further Options to some of the Directors and senior members of the management team to reflect the additional work and responsibilities that they have been subject to in recent weeks, and to provide them with the appropriate incentive to pursue and complete the recovery programme. The following grants of Options have been made to management (or their connected persons):

<i>Name</i>	<i>Number of Options</i>
Mark Tompkins	1,000,000
Lyndon Gaborit	1,000,000
Nicholas Brigstocke	500,000
Nigel Wray	250,000
Gordon Wood	250,000
Joe Considine	500,000
Other management and consultants	850,000

## **ACTION TO BE TAKEN**

A form of proxy is enclosed. Whether or not you intend to attend the EGM, you are asked to complete and return the form of proxy in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, not later than forty-eight hours before the EGM.

Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person, if you so wish.

## **RECOMMENDATION**

**The Directors consider the proposals put to the Shareholders as described in this letter to be in the best interests of the Company and the Shareholders as a whole.**

**Accordingly, your Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their own beneficial shareholdings (direct and indirect) as increased following the Firm Placing amounting to 30,552,555 Ordinary Shares (representing approximately 18.8 per cent. of the Company's issued ordinary share capital following the Firm Placing).**

Yours faithfully

Mark Tompkins  
(Chairman)

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## PART II

### DIRECTORS' INTERESTS

The table below sets out the interests of the Directors and their immediate families in the Ordinary Shares and Options of the Company which had been notified pursuant to section 324 or 328 of the Companies Act or which are required to be entered in the register maintained by the Company under section 325 of the Companies Act or which were (so far as is known to the Directors, or could with reasonable diligence be ascertained by the Directors) interests of persons connected with them (within the meaning of section 346 of the Companies Act), in each case following the Placing.

<i>Name</i>	<i>Number of Ordinary Shares acquired under the Placing</i>	<i>Percentage of Enlarged Issued Share Capital*</i>	<i>Number of Ordinary Shares held after the Placing</i>	<i>Percentage of Enlarged Issued Share Capital*</i>	<i>Number of Options granted on 2 February 2006</i>	<i>Total number of options to be held**</i>
Mark Tompkins	714,286 <sup>(1)</sup>	0.4	787,940	0.4	1,000,000	2,934,847
Lyndon Gaborit	214,286 <sup>(2)</sup>	0.1	220,018	0.1	1,000,000	2,724,437
Gordon Wood	1,785,714 <sup>(3)</sup>	1.0	16,545,080	8.9	250,000	2,250,000
Nicholas Brigstocke	714,286	0.4	1,765,755	0.9	500,000	1,408,880
Nigel Wray	714,286 <sup>(4)</sup>	0.4	15,376,620	8.2	250,000	250,000

\* This assumes that the Issue Authority Resolution is passed and the Conditional Placing Shares are all allotted.

\*\* This excludes options granted by LPMCC, Inc. details of which have previously been announced.

- (1) through SP Angel Limited
- (2) through Industrial Management & Equity Limited
- (3) through Khaenko Limited
- (4) through Prestbury Investments Holdings Limited

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# Healthcare Enterprise Group PLC

(the “Company”)

*(Incorporated in England and Wales with registered number 3627383)*

## Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of shareholders of Healthcare Enterprise Group PLC (the “Company”) will be held at Kempson House, Camomile Street, London EC3A 7AN on 28 February 2006 at 11.00 a.m. for the purpose of considering, and if thought fit, passing the following resolutions as an ordinary resolution and a special resolution respectively:

### ORDINARY RESOLUTION

#### THAT:

- 1 the rules of the Healthcare Enterprise Group plc 2003 Share Option Scheme (the “Option Scheme”) as proposed be amended in respect of the dilution limit contained therein (and in the form produced to this meeting and for the purposes of identification initialled by the Chairman) be and are hereby approved and the Directors be and are hereby authorised to do all such acts and things as may be necessary or expedient to carry the same into effect, including making such modifications to the rules of the Option Scheme as may be necessary or expedient to ensure compliance with such statutory, fiscal or securities regulations as may apply thereto or apply to any participant therein.

### SPECIAL RESOLUTION

#### THAT:

- 2 the Directors be and they are hereby empowered, pursuant to section 95 Companies Act 1985 (“CA 1985”) and in substitution for any existing power, (i) to allot equity securities (within the meaning of section 94 CA 1985) for cash pursuant to the authority under section 80 CA 1985 conferred on the Directors under resolution 6 passed at the Annual General Meeting of the Company held on 20 July 2005 and (ii) to transfer equity securities (within the meaning of section 94 CA 1985) which are held by the Company in treasury, as if section 89(1) CA 1985 did not apply to any such allotments or transfers, provided that this power shall be limited to the allotment or transfer of equity securities:
  - (a) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);
  - (b) pursuant to the exercise of any share options or warrants and any shares acquired or held by the Company in treasury may be transferred in satisfaction of the exercise of such options or warrants;
  - (c) pursuant to the Conditional Placing (as defined in the circular of the Company dated 3 February 2006 (the “Circular”)); and

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- (d) (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount of £465,974 (representing approximately 10 per cent of the issued share capital of the Company following the implementation of the Placing (as defined in the Circular),

and shall expire 18 months after the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2006, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

By Order of the Board

**L Gaborit**  
*Secretary*

Registered Office  
2nd Floor  
College House  
272 King's Road  
London SW3 5AW

3 February 2006

**Notes:**

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.
- 2 A form of proxy is provided with this notice. Completion and return of such a proxy will not prevent a member from attending the Meeting and voting in person.
- 3 To be effective, the form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the holding of the Meeting or any adjournment thereof.
- 4 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755), the Company has specified that only those members registered on the register of members of the Company at 11.00 a.m. on Sunday, 26 February 2006 or, in the event that the Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the Meeting in respect of the number of Shares registered in their name at that time. Changes to the register of members after 11.00 a.m. on Sunday, 26 February 2006 or, in the event that the meeting is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Meeting.



