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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. However, such documents should not be forwarded or transmitted into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction.

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# **Healthcare Enterprise Group plc**

*(Registered number 3627383)*

## **Proposed strategy**

## **Proposed capital reorganisation**

## **Other Shareholder matters**

and

## **Notice of 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 9 of this document and which recommends you vote in favour of the Shareholder Resolutions which are to be proposed at the General Meeting of the Company.

**The General Meeting of the Company is to be held at the offices of Norton Rose LLP at 3 More London Riverside, London SE1 2AQ on 29 February 2008 at 10.30 a.m. A form of proxy for use at the General Meeting, at which the Shareholder Resolutions will be considered, is enclosed. To be valid the forms 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, Proxies, 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 General Meeting. Completion and posting of the forms of proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.**

Copies of this document are available from the office of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date of the General Meeting.

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## TIMETABLE

*2008*

Latest time and date for receipt of form of proxy to be valid at the General Meeting	10.30 a.m. on 27 February
General Meeting	10.30 a.m. on 29 February
Capital Reorganisation becomes effective and New Ordinary Shares admitted to trading on AIM (expected date)	8.00 a.m. on 3 March

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## DEFINITIONS

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

“AIM”	the market of that name operated by London Stock Exchange plc;
“Barclays Warrants”	the Barclays Warrants described in the Letter from the Chairman in this document;
“Board” or “Directors”	the board of directors of the Company;
“Capita Registrars”	a trading division of Capita Registrars Limited;
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company into New Ordinary Shares and Deferred Shares 2008 described in the Letter from the Chairman in this document;
“CICS”	Cross Infection Control Systems (CICS);
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by Euroclear UK and Ireland Limited;
“Crest Medical”	Crest Medical Limited, a wholly owned subsidiary of HCEG;
“Crest Medical Group”	Crest Medical and its affiliated parent and subsidiary companies as identified in the appropriate section of the Letter from the Chairman;
“Company” or “HCEG” or “Group”	Healthcare Enterprise Group plc and, where the context requires, HCEG and its subsidiaries;
“December Noteholders”	the holders of the December Notes;
“December Notes”	the secured loan notes described in the Letter from the Chairman in this document;
“Deferred Shares 2008”	the new non-voting deferred shares of 2.4 pence each in the capital of the Company arising out of the Capital Reorganisation;
“Existing Ordinary Shares”	the existing ordinary shares of 2.5 pence each in the capital of the Company;
“First Aid Warehouse”	First Aid Warehouse Ltd of 9 Popple Street, Hull HU9 1LP;
“First Aid Warehouse Group”	First Aid Warehouse Ltd and its affiliated companies First Aid Supplies Ltd, 44 First Aid Ltd and Surgicon Healthcare Ltd (which trade as First Aid Warehouse);
“GM” or “General Meeting”	the general meeting of the Company to be held on 29 February 2008;
“Independent Directors”	the Directors excluding Nicholas Brigstocke and John Gunn;
“Investor Warranholders”	the holders of the Investor Warrants;
“Investor Warrants”	the Investor Warrants described in the Letter from the Chairman in this document;
“Listed Warrants”	the outstanding rights created by the Warrant Deed Poll entitling the Warranholders, upon the valid exercise of such rights, to

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	subscribe for Ordinary Shares on the terms and conditions set out in the Warrant Deed Poll, as amended from time to time;
“New Ordinary Shares”	the Ordinary Shares of 0.1 pence each in the capital of the Company arising out of the Capital Reorganisation;
“October Noteholders”	the holders of the October Notes;
“October Notes”	the unsecured loan notes described in the Letter from the Chairman in this document;
“Options”	the options over the issued capital of Ebiox Limited and Reproductive Sciences Limited;
“Ordinary Shares”	the Existing Ordinary Shares and the New Ordinary Shares, as the context requires;
“Placings”	the placing by the Company of £1.5 million of October Notes which completed on 5 November 2007, the placing by the Company of £500,000 of December Notes which completed on 11 December 2007 and the placing by the Company of £250,000 of Tranche 2 Notes which completed on 1 February 2008;
“Shareholders”	the holders of the Existing Ordinary Shares;
“Shareholder Resolutions”	the resolutions set out in the notice of the GM;
“Tranche 2 Noteholders”	the holders of the Tranche 2 Notes;
“Tranche 2 Notes”	the unsecured loan notes described in the Letter from the Chairman in this document;
“Unlisted Warrantholders”	Barclays Bank PLC and Headstart Global Fund Limited;
“Warrant Deed Poll”	the instrument by way of deed poll executed by the Company and dated 14 November 2003 (as subsequently amended) under which the Listed Warrants are constituted; and
“Warrantholders”	the holders of the Listed Warrants.

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

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## 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)  
Nicholas Owen Brigstocke (Non-executive Director)  
John Humphrey Gunn (Non-executive Director)

*Registered office:*

Healthcare Enterprise House  
17 Chesford Grange  
Woolston  
Warrington WA1 4RQ

6 February 2008

*To the Shareholders and, for information only, to the Warrantholders and Unlisted Warrantholders and holders of options under the Company's share option scheme*

Dear Shareholder

### **Proposed future strategy, proposed capital reorganisation and other Shareholder matters**

#### **1. Introduction**

The chief purpose of this document is to set out the Directors' proposed strategy for HCEG and to give outline details of the proposed merger of Crest Medical Group with First Aid Warehouse Group (the "**Proposed Merger**"). The other purpose of this document is to provide you with details of, and the reasons for, the proposed capital reorganisation, the increase of the Directors' authority to allot equity securities, the dis-application of statutory pre-emption rights and the approval of the potential exercise of an option by a Director.

Shareholders will recall that the interim results of the Company were announced on 30 October 2007. Since that date, the Directors have completed a number of important steps with a view to maximising potential value for Shareholders. An aggregate £2 million was raised in October and December 2007 which has facilitated the repayment in full of the term loan from Barclays Bank plc ("**Barclays**") and provided further working capital, and a further £250,000 was raised on 1 February 2008 to facilitate the payment of a loan to First Aid Holdings Limited (as described in section 4 below) and to provide additional working capital for the Company. These actions bring about the need for consequential or enabling resolutions to be put to Shareholders at a general meeting.

#### **2. Background to the Placings**

You will know that trading in HCEG's shares was suspended on 28 September 2007 pending clarification of the Company's financial position. Losses sustained by the operating subsidiaries in the half year to 31 August 2007, coupled with a slower than expected sale of some non-core assets, put undue financial pressure on HCEG and the Company was advised by its bankers, Barclays, that it wanted repayment of an outstanding term loan prior to the repayment date of 31 December 2007.

In response to this and to ensure the continuity of the Group as a trading entity, the Directors announced on 26 October 2007 that they had raised for the Group £1.5 million by way of 8 per cent. loan notes (termed the October Notes and further described below). Following this announcement, trading in HCEG's ordinary shares recommenced on AIM. This financing package has since become unconditional and £900,000 of the proceeds were applied to repay part of the Barclay's term loan of £1.35 million.

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Additionally, as announced on 12 December 2007 the Company raised a further £500,000 in order to provide further working capital for the Group (termed the December Notes, as further described below).

On 18 December 2007, the Company announced that it had disposed of its interest in Ridgecrest Healthcare Group Inc in exchange for 1,125,000 shares in ValiRx plc, an AIM listed therapeutic research and development company, with a contingent further issue of shares and warrants, as well as shares and warrants in Cancer Therapeutics Inc, a US shell company.

On 21 December 2007, the Company announced that it had sold the business and assets of CICS, its dental business, for a cash sum of £550,000, subject to a final adjustment for the net tangible assets transferred to the purchaser. The disposal was completed on 21 December 2007.

The net effect of actions taken in December was to allow the Group to repay the remaining balance of £350,000 of the Barclays term loan (a further £100,000 having been repaid to Barclays early in December), which in October totalled £1.35 million. The fees attached to the term loan due on repayment have been satisfied by the grant of warrants over Ordinary Shares comprising 3 per cent. of the fully diluted issued share capital of the Company for an unlimited term at an exercise price of 2.5 pence per Ordinary Share (the "**Barclays Warrants**"). The balance of cash proceeds raised by assets sales or by the issue of the December Notes was used for working capital purposes.

On 1 February 2008, the Company announced that it had raised a further £250,000 (termed the Tranche 2 Notes, as further described below) in order to facilitate the payment of a loan to First Aid Holdings Limited and to provide additional working capital for the Company.

It was previously announced that the Company was in discussions with other mainstream clearing banks to refinance its invoice discounting facility with Barclays, currently drawn down by approximately £300,000 against total debtors of £700,000. The Company remains in discussions to replace the current facility being provided by Barclays and hopes to formalise such arrangements as soon as possible.

### **3. Proposed Strategy**

The Company currently has three principal businesses:

- Crest Medical, which provides a comprehensive range of first aid, medical and pharmaceutical products for occupational health and first aid professionals, to the retail first aid market and to distributors;
- Ebiox Limited ("**Ebiox**"), which has developed a unique range of patented cleaning and decontamination products; and
- Reproductive Sciences Limited ("**RSL**"), which owns 19.8 per cent. of Fertiligent Limited, an Israeli company which has developed a slow release insemination device to improve the chance of conception.

The plans for Crest Medical are set out in section 4 below.

Ebiox has, in the view of the Board, an excellent product, but has been restricted by a lack of human and financial resources. HCEG is working on plans to resolve both these restrictions. Similarly, the Directors believe that the realisation of value in RSL would be best achieved if that company were resourced separately.

The Directors believe that Crest Medical, Ebiox and RSL should be capable of greater future value with independent dedicated management and access to third party funding. The Directors are therefore seeking to introduce new management and finance into each of the three companies. In consequence, the existing 100 per cent. ownership will become part ownership of these three

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companies, which should be financially and managerially more robust than at present. Following such transactions HCEG will become, in effect, an investment company holding substantial minority interests in a portfolio of healthcare related businesses.

The second stage of the strategy is to enable HCEG to reduce further its head office operating costs and to create a platform to enable additional finance to be raised for HCEG in order to broaden its investment portfolio.

In order to complete the proposed corporate actions, the Board has decided to change the financial year end of the Company and its subsidiaries to 30 June 2008. The Company expects to publish a second interim results statement for the 6 months ended 29 February 2008 in May 2008.

#### **4. Proposed merger of Crest Medical Group with First Aid Warehouse Group**

HCEG has recently announced that it has agreed indicative non-binding terms (the “**Proposed Terms**”) with First Aid Warehouse Group for the proposed sale of its loss making Crest Medical business to a new holding company, First Aid Holdings Limited, in which HCEG will retain a 49 per cent. holding. HCEG plans to retain its shares in First Aid Holdings Limited for the foreseeable future.

As part of the Proposed Terms, First Aid Holdings Limited will simultaneously acquire First Aid Supplies Ltd, 44 First Aid Ltd, First Aid Warehouse Limited and Surgicon Healthcare Limited (trading as First Aid Warehouse) and issue to existing shareholders in First Aid Warehouse Group 51 per cent. of the issued share capital of First Aid Holdings Limited as consideration.

First Aid Warehouse Group is controlled and managed by Alastair Maxwell, who is a well known participant in the first aid supplies market. Previously he was the Managing Director of Crest Medical when it was owned by Alliance Unichem PLC. Since the acquisition of Crest Medical by HCEG in 2004, Mr Maxwell founded and developed the First Aid Warehouse Group in partnership with Peter Mason and Matthew Courtney. It is proposed that all three will be joining the expanded business in executive roles. Alastair Maxwell has been appointed as consulting Managing Director of Crest Medical Limited and is controlling the day to day operations of that company, which made a loss of £800,000 in the six month period to 31 August 2007. It is proposed that Alistair Maxwell will join the board of Crest Medical after the merger.

The combined business, which is proposed to be primarily located at the current Crest Medical facilities in Warrington, is expected to benefit from the new management team’s on-line retailing skills combined with Crest Medical’s large customer base and warehouse facility.

The Board believes that the potential for growth in the merged entity, should completion occur, would provide greater long term value for Shareholders. The Directors believe that the merger should convert the present business into a profitable entity capable of future growth. The ownership structure agreed reflects the fact that the First Aid Warehouse Group will provide the management of the merged entity.

The Proposed Merger will be conditional upon the approval of the Shareholders pursuant to Rule 15 of the AIM Rules for Companies. It is currently expected that the definitive sale and purchase agreement will be signed in late February or early March 2008 and that a further circular will then be posted to Shareholders to, *inter alia*, convene a general meeting to approve the transaction at that point.

Under the Proposed Terms, First Aid Holdings Limited would receive a one year loan of £250,000 from HCEG for additional working capital. First Aid Holdings Limited is considering a separate fund raising exercise of circa £500,000 from new investors to provide additional working capital and to fund identified growth opportunities. It is proposed that this fundraising will be undertaken when the business plan of the combined First Aid Holdings Limited group has been finalised.

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It is important to point out that whilst the Board is confident that the Proposed Merger will progress, there is no certainty that it will complete or that the terms of the Proposed Terms may not change from those detailed above. Further details of the Proposed Merger will be announced in due course.

## **5. Capital Reorganisation and other Shareholder matters**

### **5.1 *The October Notes and the Options granted to October Noteholders***

To remind Shareholders, the refinancing package announced on 26 October 2007 comprised:

- The issue of £1.5 million of October Notes with interest of 8 per cent. per annum and a five year final repayment date. The Company committed to propose the necessary facilitating resolutions to Shareholders to permit the October Notes to be convertible into 120 million New Ordinary Shares at a conversion price of 1.25 pence each should the October Noteholders elect to do so. This convertibility will depend on the relevant Shareholder Resolutions being passed by the necessary majority of Shareholders. To the extent they are not converted into New Ordinary Shares, the October Notes will become repayable by the Company on 5 November 2012.
- Options granted to the October Noteholders whereby in exchange for the subscription for an aggregate exercise price of £1,285,715 in cash, the October Noteholders would acquire 38.57 per cent. of the ordinary share capital of Ebiox, a wholly owned subsidiary of the Company. This implied a valuation of Ebiox of £3.3 million.
- Options granted to the October Noteholders whereby in exchange for the subscription for an aggregate exercise price of up to £642,857 in cash, the October Noteholders would acquire 43.71 per cent. of the ordinary share capital of RSL, a wholly owned subsidiary of the Company (the holding company for the Group's 19.8 per cent. holding in Fertiligent Limited ("**Fertiligent**"), HCEG's option to acquire the majority of Fertiligent, and the entitlement to Fertiligent's sales and marketing rights). This implied a total valuation of RSL of £1.47 million.

The options over the equity in Ebiox and RSL referred to above are exercisable between one and three years after the date of grant but exercise can be accelerated on the occurrence of certain triggering events, such as the realisation of the Company's holding in these companies.

### **5.2 *The Tranche 2 Notes and the Options granted to Tranche 2 Noteholders***

On 1 February 2008 HCEG announced a further fundraising of £250,000 through the issue of unsecured loan stock (the "**Tranche 2 Notes**"). The £250,000 fundraising comprises the balance of the £1.75 million issue of unsecured loan stock announced on 26 October 2007, and is therefore being issued on substantially similar terms to the initial £1.5 million tranche of the October Notes. One of the investors is Ludgate Investments Limited ("**Ludgate**"), considered to be a related party by virtue of the fact that John Gunn is deputy chairman of Ludgate and a Director of HCEG. The other investor is Nigel Wray, who until April 2007 was a director of the Company. The issue of the Tranche 2 Notes will facilitate the payment of the loan to First Aid Holdings Limited referred to in section 4 above and will provide additional working capital for the Company.

Since the 1 February 2008 announcement, HCEG and the holders of the Tranche 2 Notes (the "**Tranche 2 Noteholders**") have agreed terms that would, subject to the relevant Shareholder Resolutions being passed by the necessary majority of Shareholders, entitle the Tranche 2 Noteholders to convert the Tranche 2 Notes into New Ordinary Shares. The convertibility of the Tranche 2 Notes is also subject to the prior placing of a minimum of 30,000,000 Ordinary Shares or such other number of Ordinary Shares as may be required

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to be issued so that upon conversion of any or all of the Tranche 2 Notes the aggregate number of voting shares in the Company held by John Gunn, Nigel Wray, Ludgate and their respective associates and concert parties would represent not more than 29.9 per cent. of the issued voting shares of the Company.

In common with the October Notes:

- The Tranche 2 Notes are interest-bearing at the rate of 8 per cent. per annum.
- The Company has committed to propose the necessary facilitating resolutions to Shareholders to permit the Tranche 2 Notes to be convertible into 20,000,000 New Ordinary Shares at a conversion price of 1.25 pence each should the Tranche 2 Noteholders elect to do so. The convertibility will depend on the relevant Shareholder Resolutions being passed by the necessary majority of Shareholders. To the extent that they are not converted into New Ordinary Shares, the Tranche 2 Notes will become repayable by the Company on 5 November 2012.
- Options have been granted to the Tranche 2 Noteholders whereby in exchange for the subscription for an aggregate exercise price of £214,285 in cash, the Tranche 2 Noteholders would acquire 6.43 per cent. of the ordinary share capital of Ebiox (a wholly owned subsidiary of the Company).
- Options have been granted to the Tranche 2 Noteholders whereby in exchange for the subscription for an aggregate exercise price of £107,143 in cash, the Tranche 2 Noteholders would acquire 7.29 per cent. of the ordinary share capital of RSL (a wholly owned subsidiary of the Company).

The options over the equity in Ebiox and RSL referred to above are exercisable between 5 November 2008 and 5 November 2010 but exercise can be accelerated on the occurrence of certain triggering events, such as the realisation of the Company's holding in these companies.

### 5.3 ***Convertibility of the October Notes and the Tranche 2 Notes***

The October Notes and the Tranche 2 Notes were issued on 5 November 2007 and 1 February 2008 respectively but were not convertible and accordingly, as contemplated in the announcements made on 26 October 2007 and 1 February 2008, the Company is now taking this opportunity to ask Shareholders to approve a change to the October Notes and the Tranche 2 Notes to enable conversion on terms described above.

Should the October Notes and the Tranche 2 Notes become convertible, all Ordinary Shares issued on the conversion of the October Notes and the Tranche 2 Notes will be credited as fully paid and free from all encumbrances and will rank *pari passu* in all respects with the existing issued Ordinary Shares and issued on the date of the conversion. Conversion of an October Note or a Tranche 2 Note extinguishes the Company's liability to repay the principal amount of the Note. For so long as the Company's Ordinary Shares are traded on AIM, it is the intention of the Company to apply to London Stock Exchange plc for the Ordinary Shares allotted pursuant to any exercise of conversion rights to be admitted to trading on AIM.

If the conversion terms are approved, the October Noteholders and the Tranche 2 Noteholders would, assuming full conversion of the October Notes and the Tranche 2 Notes (but not the Investor Warrants), hold, together with their existing holdings, 38 per cent. of the Company's enlarged ordinary share capital. The principal October Noteholders and Tranche 2 Noteholders are John Gunn and Nigel Wray who, assuming full conversion of the October Notes and the Tranche 2 Notes (but not the Investor Warrants) hold, together with their existing holdings and those of their related parties (including those of Ludgate in the case of John Gunn), 10.8 per cent. and 16.3 per cent. respectively of the Company's enlarged issued ordinary share capital.

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Should Shareholders not approve the conversion terms of the October Notes or the Tranche 2 Notes, the Company has agreed to procure (subject, *inter alia*, to execution of relevant documentation) that such October Notes or Tranche 2 Notes will become secured over the assets and undertakings of the Group, such security ranking behind Barclays. There will also be an additional charge equal to one year's interest (payable in cash or Ordinary Shares).

#### 5.4 ***December Notes and Investor Warrants***

To supplement the refinancing package announced on 26 October 2007, the Company announced a supplemental financing on 12 December 2007 comprising:

- The issue of £500,000 December Notes with interest of 8 per cent. per annum and a repayment date of 31 December 2008. The Company agreed to propose the necessary facilitating resolutions to Shareholders to permit Investor Warrants to be attached to the December Notes on the terms set out below. The December Notes are not, and are not proposed to be, convertible into Ordinary Shares.
- Subject to the necessary resolutions being passed by the requisite majority of Shareholders, December Noteholders are to be granted warrants to subscribe for 100 Ordinary Shares at a subscription price of 1 penny per Ordinary Share for every £1 of December Note held by the December Noteholders (the "**Investor Warrants**"). The Investor Warrants are to be exercisable from their date of grant until 31 December 2008. This would result in the Investor Warrants being exercisable over 50,000,000 Ordinary Shares at an aggregate exercise price of £500,000.

Should the Investor Warrants be granted, all Ordinary Shares issued on the exercise of the Investor Warrants will be credited as fully paid and free from all encumbrances and will rank *pari passu* in all respects with the existing issued Ordinary Shares and that issued on the date of exercise. For so long as the Company's Ordinary Shares are traded on AIM, it is the intention of the Company to apply to London Stock Exchange plc for the Ordinary Shares allotted pursuant to any exercise of the Investor Warrants to be admitted to trading on AIM.

If issue of the Investor Warrants is approved, the Investor Warrantholders would, assuming the Investor Warrants are fully exercised (but not the October Notes or the Tranche 2 Notes), hold, together with their existing holdings 22.3 per cent. of the Company's enlarged issued ordinary share capital. If the grant of the Investor Warrants is approved the principal Investor Warrantholders would be John Gunn, Nigel Wray and Ludgate. Assuming full conversion of the Investor Warrants (but not the October Notes or the Tranche 2 Notes), John Gunn and Ludgate would hold, together with their existing holdings and those of their related parties, in aggregate, 9 per cent. of the Company's enlarged issued ordinary share capital, and Nigel Wray would hold, together with his existing holdings and those of his related parties, 8.6 per cent. of the Company's enlarged issued ordinary share capital.

#### 5.5 ***Approval of the potential exercise of options by a director***

Nicholas Brigstocke, a Director of the Company, participated in the Placing of the October Notes and was issued options over Ebiox and RSL. Consequent upon his directorship, section 190 of the Companies Act 2006 applies in relation to his exercise of such options over the equity of Ebiox and RSL. Section 190 provides that (subject to certain exceptions) a director cannot acquire a substantial non-cash asset without this being approved by the company's shareholders. The rights to exercise the Options granted to Mr Brigstocke were made conditional upon the approval of Shareholders, which the Company is now seeking. Such approval will thus permit the exercise of the Options by him at a future date, should he decide to do so.

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## 5.6 **Capital Reorganisation**

The nominal value of an Ordinary Share exceeds both the proposed conversion price for Ordinary Shares pursuant to the October Notes and the Tranche 2 Notes and the proposed exercise price for Ordinary Shares pursuant to the Investor Warrants (assuming the requisite Shareholder approvals are obtained). By law a company may not issue shares at less than their nominal value. Therefore, in order to enable the conversion of the October Notes and the Tranche 2 Notes (which have a conversion price per Ordinary Share of 1.25 pence) and the exercise of the Investor Warrants (which have an exercise price per Ordinary Share of 1 penny), it is proposed to subdivide each Existing Ordinary Share with a nominal value of 2.5 pence into one New Ordinary Share with a nominal value of 0.1 penny and one Deferred Share 2008 with a nominal value of 2.4 pence. Each resulting New Ordinary Share will, effectively, have the same rights (including voting and dividend rights and rights on a return of capital) as each Existing Ordinary Share. The Deferred Shares 2008 will not entitle their holders to receive any dividend or other distribution and shall on a return of assets in a winding up of the Company entitle the holders only to the repayment of the amounts paid upon such shares after the amount paid to holders of the New Ordinary Shares exceeds £10,000 per New Ordinary Share and will in order of payment rank *pari passu* with the existing deferred shares issued pursuant to the extraordinary general meeting of the Company held on 10 March 2003. The holders of the Deferred Shares 2008 will not have any right to receive notice of any general meeting of the Company nor any right to attend, speak or vote at any such meeting. The Deferred Shares 2008 will also be incapable of transfer (other than to the Company) and no share certificates will be issued in respect of them. In due course, the Company may consider applying to the High Court to sanction cancellation of the Deferred Shares 2008. The restrictions attaching to the Deferred Shares 2008, which will not be traded, will render them, effectively, valueless.

No share certificates will be issued in respect of the Deferred Shares 2008, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Deferred Shares 2008. Instead, the Deferred Shares 2008 will be held by the Company Secretary as nominee for Shareholders.

The Capital Reorganisation will become effective on admission of the New Ordinary Shares (in issue following completion of the Capital Reorganisation) to trading on AIM.

The ISIN for the Existing Ordinary Shares, GB00B047X073, will remain valid and therefore no new Ordinary Shares will be credited to stock accounts in CREST. Share certificates for the Existing Ordinary Shares will also remain valid.

## 5.7 **Admission to AIM**

Application will be made to London Stock Exchange plc for the New Ordinary Shares (in issue following completion of the Capital Reorganisation) to be admitted to trading on AIM and such trading is expected to have effect on the business day following the passing of the resolution to effect the Capital Reorganisation (expected to be 3 March 2008).

## 5.8 **Shareholder Resolutions**

Assuming the Capital Reorganisation is approved in order to permit the October Notes and the Tranche 2 Notes to become convertible on the terms described above, and as the conversion price included in the terms of the October Notes and the Tranche 2 Notes is 1.25 pence, 80 New Ordinary Shares may be issued on conversion for every £1 of October Notes or Tranche 2 Notes issued by the Company (subject to any adjustments for capital reorganisations). As the Company has raised £1.5 million through the issue of October Notes in the Placing, it will need to be authorised to issue 120,000,000 New Ordinary Shares as well as to disapply pre-emption rights in respect of them. In addition, as the Company has raised £250,000 through the issue of Tranche 2 Notes in the Placing, it will need to be

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authorised to issue 20,000,000 New Ordinary Shares as well as to disapply pre-emption rights in respect of them. Further, assuming the Capital Reorganisation is approved to allow for the Investor Warrants to be granted, the Company will be granting 100 Investor Warrants for every £1 of December Note and will therefore need to be authorised to issue 50,000,000 New Ordinary Shares as well as to disapply pre-emption rights in respect of them.

At the Company's Annual General Meeting on 1 August 2007, Shareholders passed resolutions granting the Directors authority to allot 101,342,880 Ordinary Shares, and dis-applying the statutory pre-emption rights on new issues in respect of 30,402,880 Ordinary Shares. This is insufficient to allow the convertibility of the October Notes and the Tranche 2 Notes, the grant of the Investor Warrants or to provide flexibility for further non-pre-emptive share issues in the future. Therefore, at the General Meeting the Company is proposing Shareholder Resolutions 3 and 4, which are in substitution for all existing authorities given by Shareholders.

#### *Shareholder Resolution 1*

The resolution required to be passed to approve the ability of Nicholas Brigstocke to exercise his options over Ebiox and RSL issued as part of the Placing of October Notes.

#### *Shareholder Resolution 2*

The resolution required to be passed to effect the Capital Reorganisation in order to permit the implementation of the proposed conversion price set out in the October Notes and the Tranche 2 Notes and the proposed grant of the Investor Warrants.

#### *Shareholder Resolution 3*

Conditional on the passing of Shareholder Resolution 2, the authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the Shareholders in general meeting. Upon the passing of Shareholder Resolution 3 the Directors will have the general authority to allot Ordinary Shares up to a maximum nominal value of £330,000 (representing 330,000,000 New Ordinary Shares). This would enable the Directors to allot 120,000,000 New Ordinary Shares on the conversion of the October Notes, 20,000,000 New Ordinary Shares on the conversion of the Tranche 2 Notes and 50,000,000 New Ordinary Shares on exercise of the Investor Warrants. It would also give the Directors the general authority to allot up to an additional 140,000,000 New Ordinary Shares, which is equivalent to approximately 44.1 per cent. of the Company's current issued share capital as at the date of this document. This authority will expire immediately following the Annual General Meeting of the Company in 2008.

#### *Shareholder Resolution 4*

Shareholder Resolution 4 which is conditional upon the passing of Shareholder Resolutions 2 and 3, will, if passed, authorise the Directors to disapply the strict statutory pre-emption provisions in respect of, the issue of Ordinary Shares on the conversion of the October Notes and the Tranche 2 Notes and, *inter alia*, the grant of the Investor Warrants. In addition, it would also give the Directors the authority to make further issues of equity securities up to an aggregate nominal value of £100,000 (100,000,000 New Ordinary Shares), which is equivalent to approximately 31.5 per cent. of the Company's current issued share capital as at the date of this document, for cash without the application of statutory pre-emption rights. If approved this authority will permit the Company to make further share issues for cash in the future.

#### *Directors' Interests*

In total, the Directors and their related parties have invested in October Notes and Tranche 2 Notes to the value of £625,000. This represents 35.7 per cent. of the aggregate of the October

Notes and Tranche 2 Notes issued under the Placings. The table below shows the current interests of each of the Directors, their interests in October Notes and Tranche 2 Notes, and their interest in the enlarged issued share capital of the Company assuming all the October Notes and Tranche 2 Notes and Investor Warrants are converted into Ordinary Shares.

<i>Name</i>	<i>Number of Shares held as at the date of this document</i>	<i>Number of Share options held as at the date of this document</i>	<i>Percentage of issued share capital as at the date of this document<sup>(1)</sup></i>	<i>Number of October Notes and Tranche 2 Notes acquired under the Placings</i>	<i>Number of Shares in respect of Investor Warrants to be granted following approval at General Meeting</i>	<i>Percentage of Enlarged Issued Share Capital<sup>(2)</sup></i>
Lyndon Gaborit	1,303,351	10,706,647	0.41	-	-	0.26
Mark Tompkins	1,988,105	7,413,718	0.63	-	-	0.39
Nicholas Brigstocke	2,072,186	2,647,019	0.65	200,000	-	3.56
John Gunn <sup>(3)</sup>	15,250,080	-	4.80	425,000	18,000,000	13.25

(1) Assuming the share options are not exercised.

(2) Assuming all October Notes, Tranche 2 Notes and Investor Warrants issued under the Placings are subsequently converted into Ordinary Shares but the share options are not exercised.

(3) Including interests of Ludgate and Ludgate 181 (Jersey) Limited, each considered to be a related party of John Gunn.

#### *Action to be taken*

A form of proxy is enclosed in respect of the General Meeting. Whether or not you intend to attend the General Meeting, 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 General Meeting.

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

#### *Recommendation*

**The Independent Directors (namely, the Directors other than Nicholas Brigstocke and John Gunn) 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 Independent Directors unanimously recommend that you vote in favour of the Shareholder Resolutions. The Independent Directors intend to vote in favour of the Shareholder Resolutions in respect of their own beneficial shareholdings (direct and indirect), amounting to 3,291,456 Ordinary Shares (representing approximately 1.04 per cent. of the Company's ordinary issued share capital).**

**Nicholas Brigstocke will abstain from voting on Shareholder Resolution 1 because of his interest in approving exercise of his options over part of the Company's subsidiary holdings.**

Yours faithfully

**Mark Tompkins**  
*(Chairman)*

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## NOTICE OF GENERAL MEETING

# Healthcare Enterprise Group plc (the “Company”)

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

Notice is hereby given that a General Meeting of shareholders of Healthcare Enterprise Group plc (the “Company”) will be held at 3 More London Riverside, London SE1 2AQ on 29 February 2008 at 10.30 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

### RESOLUTION 1

#### THAT:

1. the conditional agreement relating to the grant of options over Ebiox Limited (“Ebiox”) and Reproductive Sciences Limited (“RSL”) and ancillary arrangements made between the Company, Ebiox, RSL and Nicholas Brigstocke (being a director of the Company) entered into pursuant to the Placing are hereby approved for the purposes of section 190 of the Companies Act 2006.

### RESOLUTION 2

2. To consider and, if thought fit, to pass the following resolution as a special resolution to become effective on the date the New Ordinary Shares are admitted to AIM:

#### THAT:

- 2.1 pursuant to Article 2.6 of the Articles of Association of the Company, each of the issued ordinary shares of 2.5 pence each in the capital of the Company be sub-divided and converted into one ordinary share of 0.1 pence and one deferred share of 2.4 pence, (“Deferred Shares 2008”) having the rights and being subject to the restrictions as set out in paragraph 2.3 below;
- 2.2 pursuant to Article 2.6 of the Articles of Association of the Company, each of the unissued ordinary shares of 2.5 pence each in the capital of the Company be sub-divided into 25 ordinary shares of 0.1 pence each;
- 2.3 the Deferred Shares 2008:
  - 2.3.1 will not entitle the holder to receive any dividend or other distribution;
  - 2.3.2 will not entitle the holder to any certificate or other document of title in respect thereof;
  - 2.3.3 will not entitle the holder to receive notice of or to attend, speak or vote at any general meeting of the Company;
  - 2.3.4 will entitle the holder on a return of capital on a liquidation or capital reduction or otherwise only to the repayment of the amounts paid up or credited as paid up on the Deferred Shares after payment in respect of each ordinary share of the capital paid up or credited as paid up on it and the further payment of £10,000 on each Ordinary Share and will in such respect rank *pari passu* with the existing deferred shares issued pursuant to the extraordinary general meeting of the Company held on 10 March 2003; and

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2.3.5 will not entitle the holder to any further participation in the capital of the Company.

2.4 the Company may at any time:

- (i) appoint a person on behalf of any holder of Deferred Shares 2008 to enter into an agreement to transfer and to execute a transfer of the Deferred Shares for a consideration not exceeding 1 pence for each holding of Deferred Shares, to a person appointed by the Directors of the Company to be the custodian of those shares; and
- (ii) cancel and/or purchase the Deferred Shares 2008 (under the provisions of the Companies Act 1985 (“CA 85”) without making any payment to or obtaining the sanction of the holders.

### **RESOLUTION 3**

3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**THAT:**

conditionally on the passing of Resolution 2 set out above and in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 CA 85 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £330,000 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offer or agreement.

### **RESOLUTION 4**

4. To consider and, if thought fit, to pass the following resolution as a special resolution:

**THAT:**

conditionally on the passing of Resolution 2 and Resolution 3 each set out above and in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered (a) to allot equity securities (within the meaning of section 94 CA 85) for cash and (b) to transfer equity securities (within the meaning of section 94 CA 85) which are held by the Company in treasury, as if section 89(1) CA 85 did not apply to any such allotments or transfers, provided that this power shall be limited to the allotment or transfer of equity securities:

- (i) 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);

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- (ii) pursuant to the grant of warrants to subscribe for 3 per cent. of the fully diluted issued share capital of the Company to Barclays Bank PLC in lieu of fees as referred to in the Circular of the Company dated 6 February 2008;
  - (iii) pursuant to the grant of the Investor Warrants described in the Circular of the Company dated 6 February 2008 up to an aggregate nominal value of £50,000;
  - (iv) pursuant to the exercise of any share options and any shares acquired or held by the Company in treasury may be transferred in satisfaction of the exercise of such options;
  - (v) up to an aggregate nominal value of £120,000 pursuant to the conversion of the October Notes described in the Circular of the Company dated 6 February 2008;
  - (vi) up to an aggregate nominal value of £20,000 pursuant to the conversion of the Tranche 2 Notes described in the Circular of the Company dated 6 February 2008; and
  - (vii) (otherwise than pursuant to sub-paragraphs (i) to (vi) above) up to an aggregate nominal amount of £100,000.

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, 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

**GP Ffoulkes-Davies**  
*Secretary*

6 February 2008

*Registered Office*  
Healthcare Enterprise House  
17 Chesford Grange  
Woolston  
Warrington WA1 4RQ

*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 notorially certified copy of such authority) must be deposited with the Company's registrars, Capita Registrars, Proxies, 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 10.30 a.m. on 27 February 2008 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 Ordinary Shares registered in their name at that time. Changes to the register of members after 10.30 a.m. on 27 February 2008 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.