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If you have sold or otherwise transferred all of your Ordinary Shares in Inspiration Healthcare Group plc you should deliver this document together with the enclosed Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, this document and any accompanying documents should not be sent or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations. If you have sold or otherwise transferred only part of your holding of your Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Inspiration Healthcare Group plc

(Incorporated and registered in England and Wales with registered number 03587944)

Recommended proposals for the reduction of the Share Premium Account

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the Letter from the Chairman of the Company which is set out in Part III of this document and which recommends that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at the offices of Inspiration Healthcare Group plc, Houndhill Park, Bolton Road, Wath-Upon-Deerne, Rotherham S63 7LG at 4.00 p.m. on 21 September 2016 is set out in Part IV of this document. A Form of Proxy for use at the meeting is enclosed with this document. To be valid, the Form of Proxy must be completed and returned as soon as possible and in any event so as to be received by the Company's registrars Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 4.00 p.m. on 19 September 2016. Completion and posting of the Form of Proxy will not prevent a shareholder from attending and voting in person at the General Meeting.

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PART I: EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of Circular	19 August 2016
Latest time and date for receipt of Forms of Proxy for the General Meeting	4.00 p.m. on 19 September 2016
General Meeting	4.00 p.m. on 21 September 2016
Expected date of Court hearing to confirm the Capital Reduction	24 October 2016
Expected effective date for the Capital Reduction	26 October 2016

Notes:

- (1) The expected dates for the confirmation of the Capital Reduction by the Court and the Capital Reduction becoming effective are based on provisional dates that have been obtained for the required Court hearings of the Company's application. These provisional hearing dates are subject to change and dependent on the Court's timetable.
- (2) The timetable assumes that there is no adjournment of the General Meeting. If there is an adjournment, all subsequent dates are likely to be later than those shown.
- (3) References to times in this document are to London times unless otherwise stated.

PART II: DEFINITIONS

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

Articles	the articles of association of the Company adopted on 6 December 2001 (as amended by special resolution on 10 December 2001);
CA 2006	Companies Act 2006;
Capital Reduction	the proposed reduction of the Share Premium Account as described in the Letter from the Chairman in Part III of this document;
Company	Inspiration Healthcare Group plc, a company incorporated in England and Wales with registered number 03587944 and having its registered office at Houndhill Park, Bolton Road, Wath-Upon-Deerne, Rotherham S63 7LG;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
CREST Regulations	the Uncertificated Securities Regulations 2001 (as amended);
Form of Proxy	the form of proxy accompanying this document relating to the General Meeting;
General Meeting	the general meeting of the Company, notice of which is set out at the end of this document and including any adjournment(s) thereof;
Notice of General Meeting	the notice of General Meeting, set out in Part IV of this document;
Ordinary Shares	ordinary shares of 10 pence each in the capital of the Company;
Registrars	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
Resolution	the resolution to be proposed at the General Meeting which is set out in full in the Notice of General Meeting in Part IV of this document;
Shareholders	holders of Ordinary Shares; and
Share Premium Account	the share premium account of the Company.

PART III: LETTER FROM THE CHAIRMAN

INSPIRATION HEALTHCARE GROUP PLC

(Incorporated in England and Wales with registered number 03587944)

Directors:

MS Abrahams (Non-Executive Chairman)
NJ Campbell (Chief Executive Director)
T Foster (Group Sales Director)
R J Beveridge (Non-Executive Director)
WNB Nolson (Non-Executive Director)

Registered Office:

Houndhill Park
Bolton Road, Wath-Upon-Deerne
Rotherham
S63 7LG

19 August 2016

Dear Shareholder,

- 1.1 I am writing to you to provide you with details of a proposed reduction of the Company's capital by a reduction of the Share Premium Account.
- 1.2 You will find enclosed with this document a Notice of General Meeting to be held at 4.00 p.m. on 21 September 2016 at Inspiration Healthcare Group plc, Houndhill Park, Bolton Road, Wath-Upon-Deerne, Rotherham S63 7LG.
- 1.3 Part II of this document contains definitions of words and terms that have been used throughout it. Please refer to Part II as you review the documentation.

2. BACKGROUND TO AND REASONS FOR THE CAPITAL REDUCTION

- 2.1 The Company has accumulated historic trading losses which have resulted in the Company's accounts for the year ended 31 January 2016 showing a deficit in its profit and loss account of £10,463,000.
- 2.2 As at 31 January 2016 the Company's share premium account showed a balance of £14,529,000. A share premium account is an un-distributable reserve and, accordingly, the purposes for which the Company can use it are extremely restricted. In particular, it cannot be used for paying dividends.
- 2.3 The Board is therefore recommending that a proportion of the amount held in the Share Premium Account be reduced and transferred to the Company's profit and loss account to eliminate the deficit and create positive distributable reserves. This will provide the Board with the flexibility to distribute profits to Shareholders as dividends, subject to the financial performance of the Company.

3. PROPOSED CAPITAL REDUCTION

- 3.1 With the sanction of a resolution of the shareholders of the Company and the confirmation of the Court, the Company may reduce or cancel its share premium account. The Company is proposing to reduce its share premium account by £12,500,000. This would eliminate the deficit in the Company's profit and loss account and create a reserve which (subject to any safeguards which the Court may require the Company to put in place for the protection of creditors) will in due course be distributable, along with any future profits of the Company earned after the date on which the Capital Reduction takes effect. The Capital Reduction itself will therefore not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying net assets of the Company.
- 3.2 There will be no change in the number of Ordinary Shares in issue following the implementation of the Capital Reduction.

3.4 In order to approve the Capital Reduction the Court will need to be satisfied that the interests of the Company's creditors will not be prejudiced as a result. It is for the Court to determine whether any protection is required for creditors of the Company and, if so, what form such protection should take. If required to do so, the Company will put in place such form of creditor protection as the court determines and which the Company is advised is appropriate. In order to protect creditors, the Company may be required to prove that it has sufficient liquid assets after the Capital Reduction has become effective to cover the total sum due to creditors of the Company at the date that the Court order confirming the Capital Reduction is registered with Companies House. Alternatively, the Company may need to offer the Court an undertaking not to treat any part of the reserve arising on the Capital Reduction as distributable profits until the relevant creditors of the Company at the date the Capital Reduction becomes effective have been paid or have consented to the Capital Reduction, or another form of undertaking as is considered appropriate.

4. FURTHER DETAILS ON THE REDUCTION PROCEDURE

- 4.1 Under the CA 2006, a company limited by shares may reduce its share premium account, as long as it is not restricted from doing so by its Articles, by obtaining the approval of its shareholders by special resolution and the confirmation of the Court.
- 4.2 The Company is not restricted in any way by its Articles from carrying out a reduction of capital and is, therefore, seeking approval of its shareholders to the Capital Reduction. Please see the Notice of General Meeting, which sets out the Resolution, in Part IV of this document.
- 4.3 If the Shareholders approve the Resolution at the General Meeting, the Board intends to make an application to the Court to obtain its approval to the Capital Reduction as soon as possible following the General Meeting.
- 4.4 Provisional dates have been obtained for the required Court hearings of the Company's application, but they are subject to change and dependent on the Court's timetable. If the hearings go ahead on the provisional dates, the present timetable provides that the final hearing, at which it is hoped that the Court will make an order confirming the Capital Reduction, will take place on 24 October 2016.
- 4.5 The Capital Reduction does not take effect until the Court's order is filed with and registered by Companies House. The Board intends to file the required documentation with Companies House on the business day following receipt of the Court order confirming the Capital Reduction and, subject to compliance with all procedural requirements, Companies House will usually register the documents on the same day. On the present timetable, which is subject to change and dependent on the Court's timetable, this would mean that the Capital Reduction would take effect on 26 October 2016.

5. GENERAL MEETING

- 5.1 Please see the Notice of General Meeting of the Company, set out in Part IV of this document. The General Meeting will take place at 4.00 p.m. on 21 September 2016 at Inspiration Healthcare Group plc, Houndhill Park, Bolton Road, Wath-Upon-Deerne, Rotherham, S63 7LG. At the General Meeting, the Resolution set out in Part IV of this document will be proposed to Shareholders.
- 5.2 The Resolution will be passed if 75% or more of the votes cast (in person or by proxy) are in favour of it.

6. ACTION TO BE TAKEN

- 6.1 Shareholders will find a Form of Proxy enclosed for use at the General Meeting. To be valid, the Form of Proxy must be completed and returned as soon as possible and so as to be received by the Registrars by not later than 4.00 p.m. on 19 September 2016. You can return your Form of Proxy by post to Capita Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 6.2 The completion and return of the Form of Proxy will not prevent you from attending and voting at the meeting in person.

7. RECOMMENDATION

The Board considers that the Capital Reduction will be beneficial for the Company as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 11,591,332 Ordinary Shares, being 37.8% of the existing Ordinary Shares in issue at the date of this document.

Yours faithfully,

Mark Abrahams
Chairman

PART IV: NOTICE OF GENERAL MEETING

Notice is given that a general meeting of Inspiration Healthcare Group plc (“the Company”) will be held at the offices of Inspiration Healthcare Group plc, Houndhill Park, Bolton Road, Wath-Upon-Dearne, Rotherham, S63 7LG at 4 p.m. on 21 September 2016 for the following purposes:

Special Business

To consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution:

1. That the share premium account of the Company be reduced by £12,500,000 and transferred to the Company’s profit and loss account in order to create distributable reserves.

BY ORDER OF THE BOARD

Company Secretary: Andrew Hebb
Date 19 August 2016
Registered office: Houndhill Park
Bolton Road
Wath-Upon-Dearne
Rotherham
S63 7LG

Notes:

- 1 A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars at Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 4.00 p.m. on 19 September 2016. Appointment of a proxy does not preclude a shareholder from attending the General Meeting (GM) and voting in person.
2. A member entitled to attend and vote at the GM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notari ally) must be returned by one of the following methods:
 - in hard copy form by post, by (during normal business hours only) courier or by hand to the Company's registrars, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR34TU;
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case must be received by the Company not less than 48 hours before the time of the meeting.

3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take that appropriate action on their behalf.

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service provider(s)), to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001.
5. To be entitled to attend and vote at the GM (and for the purpose of the determination by the Company of the votes they may cast) Shareholders must be registered in the Register of Members of the Company at close of business on 19 September 2016 or, in the event of any adjournment, at close of business on the date which is two days (not including non-working days) before the time of the adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.