

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Application will be made for the Conditional Subscription Shares to be admitted to trading on AIM and it is expected that trading in the Conditional Subscription Shares will commence on AIM on 21 August 2007.

NEUTRAHEALTH PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5290247)

Conditional Subscription for 35,197,026 new Ordinary Shares of 10 pence each

Proposed Board Appointment

Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Pinsent Masons at 12.00 p.m. on 20 August 2007, is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. **To be valid, Forms of Proxy should be completed in accordance with the instructions printed thereon and returned so as to be received by the Company's registrars, not later than 12.00 p.m. on 18 August 2007.** Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

Your attention is drawn to the letter from the Chairman of NeutraHealth plc set out on pages 5 to 8 of this document, recommending you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

KBC Peel Hunt, which is authorised and regulated by The Financial Services Authority, is acting as nominated adviser and broker to NeutraHealth plc. KBC Peel Hunt is not acting for any person other than NeutraHealth plc and will not be responsible to anyone other than NeutraHealth plc for providing the protections afforded to customers of KBC Peel Hunt or for providing advice in relation to the contents of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	12.00 p.m. on 18 August 2007
Extraordinary General Meeting	12.00 p.m. on 20 August 2007
Admission and commencement of dealings in Conditional Subscription Shares on AIM ⁽¹⁾	21 August 2007
Delivery in CREST of Conditional Subscription Shares to be held in uncertificated form ⁽¹⁾	21 August 2007

Note:

(1) Assuming the Conditional Subscription becomes unconditional

DEFINITIONS

The following words and expressions have the following meanings in this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Conditional Subscription Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange plc
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange plc from time to time
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names are set out on page 5 of this document
“Brunel”	Brunel Healthcare Limited
“Conditional Subscription”	the proposed subscription of the Conditional Subscription Shares by Elder as detailed on page 6 of this document
“Conditional Subscription Shares”	the 35,197,026 Ordinary Shares proposed to be issued pursuant to the Conditional Subscription
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) operated by CRESTCo Limited in accordance with which securities may be held or transferred in uncertificated form
“Elder”	means Elder Pharmaceuticals Ltd, a public limited company incorporated in India
“Enlarged Equity”	means at the relevant time the Ordinary Shares in the capital of the Company that have been allotted or issued by the Company excluding any Ordinary Shares issued in respect of which Elder (in its capacity as shareholder of the Company) has been given the opportunity to acquire its proportion of the Ordinary Shares subject to the issue
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 12.00 p.m. on 20 August 2007 (or any adjournment thereof) notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use in connection with the EGM enclosed with this document
“Issue Event”	means the issue of Ordinary Shares:- <ol style="list-style-type: none">1. for non-cash consideration; or2. for cash consideration other than pursuant to a Rights Issue; or3. on the exercise of options or other right to subscribe for Ordinary Shares, occurring between from 26 July 2007 and the Maturity Date
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“NeutraHealth” or the “Company”	NeutraHealth plc

“NeutraHealth Group” or the “Group”	NeutraHealth and its subsidiaries
“Notice of EGM”	the notice of EGM set out at the end of this document
“Market Value”	means, in respect of a particular Issue Event, a price per Ordinary Share derived from the AIM Appendix of the Daily Official List equal to the average of the middle market quotations of Ordinary Shares of the Company at the close of business on the five consecutive dealing days immediately preceding the date on which the relevant Issue Event occurs
“Maturity Date”	means the date falling 15 calendar months from the date of the Warrant Deed
“Offer for Subscription”	the offer letter dated 24 July 2007 from Elder to the Company in respect of the Conditional Subscription
“Ordinary Shares”	ordinary shares of 10 pence nominal value each in the capital of the Company
“Proposals”	the proposal to allot the Conditional Subscription Shares, to grant the Warrants and to appoint Mr Jagdish Saxena as a director of the Company
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Rights Issue”	means an issue or offer of Ordinary Shares to shareholders in the Company <i>pro rata</i> to their current holdings of the class of Ordinary Shares concerned (ignoring fractional entitlement and those of shareholders who have been excluded from the offering because of legal or practical difficulties)
“Shareholders”	the holders of Ordinary Shares
“Warrant Deed”	the deed constituting the Warrants
“Warrants”	the proposed percentage warrants to be granted by the Company to Elder pursuant to the terms of the Warrant Deed, conditional upon passing of the Resolutions
“Warrant Subscription Price”	means following:- <ol style="list-style-type: none"> 1. an issue of Ordinary Shares for non-cash consideration where a price per Ordinary Share is attributed by the Company in respect of such issue, that attributed price per Ordinary Share; or 2. an issue of Ordinary Shares for non-cash consideration where a price per Ordinary Share is not attributed by the Company in respect of such issue, Market Value; or 3. an issue of the Ordinary Shares on the exercise of any option over (or other right to subscribe for) Ordinary Shares), Market Value; or 4. any other issue of Ordinary Shares for cash (“Placing”) (and which is not a Rights Issue), the same price as is paid for an Ordinary Share in the Placing

NEUTRAHEALTH PLC

(Registered in England and Wales under the Companies Act 1985 with registered number 5290247)

Directors:

Martin Gatto (*Chairman*)
Michael Toxvaerd (*Chief Executive*)
Robin Hilton (*Finance Director*)
James McEuen (*Group Managing Director*)
Ron Stagg (*Managing Director*)
Anthony Good (*Non Executive Director*)
Sir Gulam Noon (*Non Executive Director*)

Registered Office:

180 Lifford Lane
Kings Norton
Birmingham
B30 3NU

26 July 2007

To Shareholders and, for information only, to participants in the NeutraHealth Share Option Plan

Dear Shareholder

Extraordinary General Meeting and Subscription for 35,197,026 new Ordinary Shares Proposed Board Appointment

Introduction

The Company announced on 26 July 2007 that it had conditionally agreed to allot and issue 35,197,026 Ordinary Shares to Elder Pharmaceuticals Limited at a price of 16 pence per share, being an aggregate subscription price of £5,631,524.16. The Conditional Subscription Shares will represent 20 per cent. of the enlarged issued share capital of the Company.

The Conditional Subscription is conditional upon, *inter alia*, Shareholders passing the Resolutions at an Extraordinary General Meeting of the Company to approve the granting to the Directors of authority to allot shares and of power to disapply statutory pre-emption rights on allotment and upon Admission of the Conditional Subscription Shares. The Conditional Subscription is also conditional upon the Shareholders passing the resolution to appoint Mr Jagdish Saxena, a main board member of Elder, as a Director.

The purpose of this document is to explain the background to and the reasons for the Proposals and why the Directors believe that the Proposals are in the best interests of the Company and its Shareholders as a whole. In addition, the Board recommends that you should vote in favour of the Resolutions at the Extraordinary General Meeting.

Background to and reasons for the Conditional Subscription

NeutraHealth was admitted to AIM on 18 February 2005 with the strategy of consolidating the vitamins, minerals and supplements sector of the nutraceutical market. Since then, the Company has made four strategic acquisitions – BioCare Limited, Nutrigold Limited, Brunel Healthcare Limited and Health Products for Life Limited. It has entered into agreements with a number of companies including Alliance Boots, Waitrose, Harrods, Selfridges, Holland & Barrett and The Nutri Centre (part of the Tesco group) to stock the TravelGuard range, NeutraHealth's first retail brand. It has also signed licensing agreements for the Champneys branded range of supplements and a Patrick Holford/BioCare range of supplements.

In the Company's 2006 annual report the Directors identified access to finance for future acquisitions as a key risk, given NeutraHealth's share price in the market at the time was 10p.

Elder has identified the value within NeutraHealth, and approached the Company with a view to forming a commercial relationship in order to develop products and target markets for the benefit of both businesses. This has provided the Company with an opportunity to raise funds at a 36 per cent. premium to the current market price, which the Directors believe make it easier to complete earnings enhancing acquisitions in the

remainder of the year. Elder's offer to subscribe for new shares will result in approximately £5.3 million, net of costs, being raised for the Company if the Resolutions are duly passed.

Use of Funds

These funds will be deployed as follows:

- Acquisitions: the Company is actively pursuing a number of acquisition targets. If all targets are progressed to acquisition, the Company would require at least this level of funding.
- Reduction in debt: the Company has a term loan and revolving credit facility. The funds will be used to temporarily reduce the revolving credit amount outstanding, minimising interest costs, until the funds are deployed on acquisitions in the short to medium term.

Information on Elder Pharmaceuticals Ltd

Elder manufactures, distributes and markets a range of pharmaceutical products and brands. Elder has a focus on three therapeutic segments – women's health care, wound care and nutraceuticals. The full product portfolio extends to products for cardiology, diabetes, central nervous system health and antibiotics, all manufactured in a range of delivery formats including capsules and liquids.

A number of products are market leaders in India, including:

- Shelcal: a calcium supplement that helps protect against osteoporosis. It has a 30.5 per cent. market share, and generates 15 per cent. of annual revenue,
- Chymoral: an anti-rheumatic enzyme that helps with wound care management. It has a 80.7 per cent. market share, generating 6 per cent. of annual revenue,
- Eldervit: an injectable vitamin B12 product, with a 40.5 per cent. market share, generating over 3 per cent. of annual revenue.

Elder's revenue for the year ending 31 March 2007 was INR4.66 billion (c. £56 million) with an EBITDA of INR0.89 billion (c. £11 million). The market capitalisation on 30 June 2007 was INR7.86 billion (c. £94 million), with 37.2 per cent. of the shares being held by the promoters of Elder. The largest other shareholders are ACRAF S.p.A (14.10 per cent.), Citicorp International Finance Corporation (9.32 per cent.) and CBC Bahrain – FII Equity Fund (5.08 per cent.).

Elder is listed on the Bombay Stock Exchange Ltd with a Scrip ID of ELDERPHARM and a Scrip code of 532322 and on the National Stock Exchange of India Ltd, with Scrip ID ELDERPHARM. Further information is available from the Elder's website at www.elderindia.com

Offer for Subscription

On 25 July 2007, the Company accepted Elder's Offer for Subscription in respect of the Conditional Subscription. NeutraHealth agreed, subject to its Directors' fiduciary duties, to send a notice to its Shareholders to convene the EGM on or before 31 August 2007 and to recommend that Shareholders vote in favour of the Resolutions.

NeutraHealth agreed to give some limited warranties relating, *inter alia*, to its business in favour of Elder subject to agreed limitations of liability. The warranties lapse at the close of business on 25 July 2008.

The subscription price of 16 pence per Conditional Subscription Share represents a premium of 4.25 pence (36 per cent.) to the mid-market price of an Ordinary Share as at the close of business on 25 July 2007, being the latest practicable date prior to the date of this document.

Warrants

Pursuant to the Offer for Subscription and subject to passing of the Resolutions, NeutraHealth will enter into the Warrant Deed in favour of Elder. The Warrants will confer on Elder a right to subscribe for Ordinary

Shares on the occurrence of and in respect of each Issue Event. The number of Ordinary Shares that can be subscribed for under the Warrants shall, in each case, be such number of Ordinary Shares that, when added to the Conditional Subscription Shares and any other Ordinary Shares to which Elder is entitled to acquire or has acquired under all previously issued Warrants (whether exercised or not), equates to 20 per cent. of the Enlarged Equity.

The Warrants lapse in certain circumstances including lapsing automatically on the Maturity Date if not exercised on or before that date.

Appointment of Director

Pursuant to the Offer for Subscription, NeutraHealth has also conditionally agreed to appoint Mr Jagdish Kantisarup Saxena (67) as a Director of the Board.

Mr Saxena has been the Managing Director of Elder since 1988, and is the founder and current Chairman. His career started as an officer in the Indian Air Force. He has 40 years experience within pharmaceuticals, having had responsibility in his career for all aspects of production, sales, marketing, and new product development.

Interim Results to 30 June 2007

The Company announced its interim results for the six month period ended 30 June 2007 on 26 July 2007. Highlights include:

- Turnover increased by 126 per cent. to £9.8m (2006 interim: £4.3m);
- EBITDA increased by 19 per cent. to £1.14m (2006 interim: £0.96m);
- Acquisition of Brunel Healthcare in January 2007 for initial consideration of £4 million, and subsequent seamless integration into the group; and
- Exclusive licensing agreement signed with Champneys Spa Group and launch of 24 products.

The Group has had a good first six months to the year, significantly increasing turnover and achieving earnings growth. EBITDA rose by 19 per cent. to £1.14 million, which was a satisfactory performance given investment in new products, alliances and marketing.

The Group has been very active on the corporate front. In January it announced an exclusive licensing agreement with Champneys which has led to the launch of a new health and beauty range of vitamins and supplements to be sold through major retail outlets under the Champney's name. This is an important development for the Group enabling NeutraHealth to exploit the emerging trend of consumers paying attention to inner health to improve outward appearance. This announcement was followed by the acquisition of Brunel. Brunel is an established supplier of nutraceutical products and over the counter medicines sold by major retailers across the UK including Alliance Boots, Tesco, Holland & Barrett, Superdrug and Waitrose.

The integration of Brunel has been very successful, causing little distraction to the business and allowing Brunel to progress key projects for growth. A three year supply agreement underpinning 20 per cent. of Group revenue was signed in April 2007, and a range of CoQ10 products were launched in April also. The Directors assessment of Brunel's positioning in the over the counter medicines market has concluded that there are value adding opportunities through acquisition of companies and product licences in that market. NeutraHealth has extended its strategy to encompass these opportunities as part of the "Investing in Wellbeing" strategy. The strength of Brunel's performance has led NeutraHealth to recognise the earn out liability for 2007 as a liability in the interim figures.

In December last year the Group launched a suite of consumer products under the TravelGuard brand. This range has already achieved listings in multiple retailers and distribution across 1,100 outlets, and the Company continues to market these travel products over the busy summer travel season. The Directors continue to believe in the long term potential of this product.

The Champneys product range of supplements was well received at launch in March 2007, and negotiations are ongoing for a roll out of these products across major retailers in Q3 and Q4 this year.

The second half of 2007 started well with the acquisition of Health Products for Life in early July at the same time as signing a licensing agreement with Patrick Holford, the world renowned nutrition expert, to develop and launch a range of up to 20 co-branded BioCare / Patrick Holford products. The agreement also sees Patrick Holford take up a role as Head of Science and Education for BioCare.

Health Products for Life is a direct to consumer website that will be developed further to provide a platform for mail order orientated products.

The outlook for the year is good. Significant growth opportunities have been progressed over the last six months, requiring costs of approximately £0.3 million. Management are confident in achieving significant earnings per share growth in 2007.

NeutraHealth has positioned itself at the forefront of the self improvement and well being markets. These areas are amongst the fastest growing within the global healthcare market and the Group with its multi-faceted UK and International retail offerings is well positioned for strong future growth.

Extraordinary General Meeting

A notice is set out at the end of this document convening an Extraordinary General Meeting of the Company to be held at the offices of Pinsent Masons, CityPoint, One Ropemaker Street, London EC2Y 9AH at 12.00 p.m. on 20 August 2007.

At the Extraordinary General Meeting, the following Resolutions will be proposed:

- to grant authority to the Directors to allot relevant securities with a nominal value of 10 pence each of up to £4,317,427.30 in connection with the Conditional Subscription and the Warrants;
- to approve the appointment of Mr Jagdish Saxena as a Director of the Company; and
- to empower the Directors to allot equity securities for cash up to an aggregate nominal amount of £4,317,427.30 in connection with the Conditional Subscription and the Warrants as if the statutory pre-emption rights set out in section 89(1) of the Act did not apply.

Action to be taken

A Form of Proxy is enclosed for use at the Extraordinary General Meeting. **Whether or not you propose to attend the Extraordinary General Meeting in person, Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it as soon as possible to the Company's registrars, to be received by no later than 12.00 p.m. on 18 August 2007.** The completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting in person if they so wish.

Recommendation

The Directors unanimously recommend that you vote in favour of all the Resolutions at the Extraordinary General Meeting.

Yours sincerely

Martin Gatto
Chairman

NEUTRAHEALTH PLC

(Company Number: 5290247)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at the offices of Pinsent Masons, CityPoint, One Ropemaker Street, London EC2Y 9AH on 20 August 2007 at 12.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:-

ORDINARY RESOLUTIONS

- 1 THAT, in addition to and not to the exclusion of all existing authorities, the directors be hereby generally and unconditionally authorised, in accordance with section 80 Companies Act 1985, to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of relevant securities of £4,317,427.30 in connection with the Conditional Subscription and the Warrants (as defined in the shareholder circular accompanying this notice), subject only to the passing of all the resolutions set out in this notice; and this authority, unless revoked or renewed, shall expire 15 months after the date on which this resolution is passed or the date of the next Annual General Meeting (whichever is the first to occur), but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired.
- 2 THAT, Mr Jagdish Saxena be appointed as a director of the Company.

SPECIAL RESOLUTION

- 3 THAT, subject to the passing of resolution 1, the Directors be hereby given power in accordance with section 95 Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) up to a maximum nominal amount of £4,317,427.30 in connection with the Conditional Subscription and the Warrants (as defined in the shareholder circular accompanying this notice) and pursuant to the authority conferred by resolution 1 above as if section 89(1) of the Act did not apply to the allotment provided that such power, unless revoked or renewed, shall expire 15 months after the date on which this resolution is passed or the date of the next Annual General Meeting (whichever is the first to occur), but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired.

By Order of the Board

Robin Hilton ACA
Company Secretary

Registered office:
180 Lifford Lane
Kings Norton
Birmingham B30 3NU

Dated 26 July 2007

NOTES

- 1 A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
- 2 To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not less than 48 hours before the time for holding the Meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting.
- 3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the relevant register of members of the Company at close of business on 18 August 2007 shall be entitled to attend and vote at the Extraordinary General Meeting or, if the Meeting is adjourned, close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after close of business on 18 August 2007 shall be disregarded in determining the right of any person to attend or vote at the Meeting.

