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The Directors of the Company, whose names appear on page 3, accept responsibility, collectively and individually, 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 does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Alternative Investment Market. It is expected that admission to the Alternative Investment Market and dealings in the New Ordinary Shares will commence on 8 October 2002. The Existing Shares (which include the Founder Shares) are traded on the Alternative Investment Market of the London Stock Exchange.

AERO INVENTORY plc

(Incorporated in England and Wales with registered no. 2887038)



New Procurement and Inventory Management Contract with HAECO

Placing by

EVOLUTION BEESON GREGORY LIMITED

of 1,818,182 New Ordinary Shares and 798,691 Founder Shares

at a price of 330p per share

Preliminary Announcement of the Results of Aero Inventory plc

for the year ended 30 June 2002

SHARE CAPITAL

Immediately Following Admission

Authorised Number	Amount	Ordinary Shares of 1.25 pence each	Issued and fully paid Number	Amount
80,000,000	£1,000,000		10,295,693	£128,696

Evolution Beeson Gregory Limited which is regulated by the Financial Services Authority is acting as nominated adviser to the Company in connection with the matters described herein. Persons receiving this document should note that Evolution Beeson Gregory Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Evolution Beeson Gregory Limited or for advising any other person on the arrangements described in this document. Evolution Beeson Gregory Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Evolution Beeson Gregory Limited for the accuracy of any information or opinions contained in this document or for the omission of any information.

The New Ordinary Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the New Ordinary Shares been lodged with or registered by the Australian Securities Commission. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, Australia or Japan. Overseas Shareholders and any person (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Notice of an Extraordinary General Meeting of Aero Inventory plc, to be held at the offices of Taylor Wessing, at 50 Victoria Embankment, London EC4Y 0DX at 11 a.m. on 7 October 2002, is set out at the end of this document. The enclosed Form of Proxy for use in connection with the meeting should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11 a.m. on 5 October 2002. Completion and return of forms of proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

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DIRECTORS AND ADVISERS

Directors	Frank Turner FR Eng (Non-executive Chairman) Laurence Heyworth (Executive Deputy Chairman) Rupert Lewin (Chief Executive) Martin Dodge MBA (Asia Pacific Director) Hugh Bevan ACA (Finance Director) Nigel McCorkell FCA (Non-executive Director)
Company Secretary	Hugh Bevan ACA
Registered office	30 Lancaster Road New Barnet Hertfordshire EN4 8AP
Nominated Adviser and Underwriter	Evolution Beeson Gregory Limited The Registry Royal Mint Court London EC3N 4LB
Solicitors to the Company	Taylor Wessing Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
Solicitors to the Placing	Hammond Suddards Edge 7 Devonshire Square Cutlers Gardens London EC2M 4YH
Auditors to the Company	Horwath Clark Whitehill 25 New Street Square London EC4A 3LN
Principal Bankers	The Royal Bank of Scotland plc 62-63 Threadneedle St London EC2R 8LA
Registrars	Capita IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

PLACING STATISTICS

Placing Price	330p
Market capitalisation, following the Placing, at the Placing Price	£34.0m
Number of New Ordinary Shares being placed on behalf of the Company	1,818,182
Number of Existing Shares being placed on behalf of the Founders	798,691
Number of Ordinary Shares in issue following Admission	10,295,693
Proceeds receivable by the Company net of expenses	£5.44m
Number of New Ordinary Shares as a percentage of the enlarged share capital	17.7%

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Extraordinary General Meeting	7 October 2002
Dealings in the New Ordinary Shares expected to commence on AIM	8 October 2002
Expected date for CREST accounts to be credited	8 October 2002
Expected date for posting of share certificates for Placing Shares	by 22 October 2002

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the New Ordinary Shares to trading on AIM becoming effective.
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Britax”	Britax Rumbold Limited
“C F Taylor”	C.F. Taylor (B/E) UK Limited
“Cathay Pacific”	Cathay Pacific Airways Limited
“Company” or “Aero Inventory”	Aero Inventory plc
“Directors” or “Board”	the directors of the Company as set out on page 3 of this document
“EGM”	the extraordinary general meeting of the Company convened by the EGM notice
“EGM Notice”	the notice convening the EGM which is set out on pages 34 and 35 of this document
“Evolution Beeson Gregory”	Evolution Beeson Gregory Limited
“Existing Shares”	the 8,477,511 Ordinary Shares in issue at the date of this document all of which are admitted to trading on AIM
“Form of Proxy”	the form of proxy for the EGM which accompanies this document
“Founders”	Rupert Lewin, Martin Dodge and Laurence Heyworth
“Founder Shares”	the 798,691 Ordinary Shares to be placed on behalf of the Founders by Evolution Beeson Gregory pursuant to the Placing comprising 385,342 Ordinary Shares on behalf of Rupert Lewin, 270,669 Ordinary Shares on behalf of Laurence Heyworth and 142,680 Ordinary Shares on behalf of Martin Dodge
“Group”	the Company and its subsidiary undertakings
“HAECO”	The Hong Kong Aircraft Engineering Company Limited
“London Stock Exchange”	London Stock Exchange plc
“New Contract”	the new contract between the Company and HAECO described in Part 1
“New Ordinary Shares”	the 1,818,182 new Ordinary Shares to be issued pursuant to the Placing
“Ordinary Shares”	ordinary shares of 1.25p each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares by Evolution Beeson Gregory on behalf of the Company and the Founders (as appropriate) pursuant to the Placing Agreement and as described in this document
“Placing Agreement”	the placing agreement dated 11 September 2002 made between Evolution Beeson Gregory, the Directors, the Founders and the Company as described in paragraph 7 of Part III of this document
“Placing Price”	330p per Placing Share

“Placing Shares”	the New Ordinary Shares and the Founder Shares which are to be the subject of the Placing
“Resolutions”	the resolutions set out in the EGM Notice
“rotable”	a regularly overhauled removable aircraft component
“Shareholders”	holders of Ordinary Shares in the Company
“TAECO”	Taikoo (Xiamen) Aircraft Engineering Company Limited
“UK”	the United Kingdom of Great Britain and Northern Ireland

PART I

Letter from the Chairman of AERO INVENTORY plc

Directors:

Frank Turner FR Eng (Non-executive Chairman)
Laurence Heyworth (Executive Deputy Chairman)
Rupert Lewin (Chief Executive)
Martin Dodge MBA (Asia Pacific Director)
Hugh Bevan ACA (Finance Director)
Nigel McCorkell FCA (Non-executive Director)

11 September 2002

To Shareholders and, for information only, to holders of options over Ordinary Shares

Dear Shareholder,

Registered and Head Office:

30 Lancaster Road
New Barnet
Hertfordshire EN4 8AP

New procurement and inventory management contract with HAECO
Placing by Evolution Beeson Gregory of 1,818,182 New Ordinary Shares and
798,691 Founder Shares at 330p each
Preliminary announcement of results for the year ended 30 June 2002

Introduction and summary

On 16 August 2002, the Group announced that it had entered into a new, sole-supplier procurement and inventory management contract (the “New Contract”) with HAECO, a leading Hong Kong based aerospace maintenance and repair company to which the Group has been a supplier since December 2000. The New Contract, which encompasses the Group’s existing business with HAECO, as well as substantial new business, commenced on 1 September 2002 and runs until 31 December 2005. It is renewable, subject to certain conditions, for a further five years.

The New Contract signifies an important extension of the Group’s role as a service provider to HAECO, principally in support of Cathay Pacific. The Directors consider that the potential annual sales value of the New Contract is approximately US\$30 million, of which US\$17 million relates to new business and US\$13 million-US\$14 million to existing business. Under the New Contract and in accordance with the Group’s normal business model, Aero Inventory has agreed to purchase from HAECO relevant inventories of parts including a substantial inventory previously owned by Cathay Pacific and used by HAECO. The price to be paid for these inventories is approximately US\$6 million.

Your Board announced today that it proposes to place 1,818,182 New Ordinary Shares at the Placing Price through Evolution Beeson Gregory to raise approximately £6 million (before expenses) which will be used by the Group to purchase the inventories mentioned above and to provide additional working capital for the New Contract. It was also announced that Evolution Beeson Gregory will be placing 798,691 existing Ordinary Shares at the Placing Price on behalf of the three founders of the business, Rupert Lewin, Martin Dodge and Laurence Heyworth. Following the Placing, the Founders will, together, own 2,396,073 Ordinary Shares representing 23.3 per cent. of the enlarged issued share capital.

The Placing is conditional, *inter alia*, upon the Company obtaining certain approvals from its Shareholders in relation to the disapplication of pre-emption rights and the Board’s authority to allot shares. The Placing has been fully underwritten by Evolution Beeson Gregory and is described under “Details of the Placing” below.

Your Board also announced today the preliminary results of the Company for the year ended 30 June 2002. The full text of this announcement is set out in Part II of this document.

The purpose of this document is to provide you with information about the New Contract and the Placing, to explain why the Board considers the Placing to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document.

Information on the New Contract

The New Contract relates to the supply of parts required for the maintenance and repair of a broad range of rotables (i.e. regularly overhauled removable components) and other components for commercial aircraft. These aircraft are operated principally by Cathay Pacific and maintained and repaired by HAECO. The New Contract encompasses a substantial amount of new business in addition to the business previously conducted under a five-year contract with HAECO entered into in November 2000.

The New Contract is on an exclusive, sole-supplier basis and commenced on 1 September 2002. The Group has been responsible for supplying the additional parts covered by the New Contract and is entitled to invoice HAECO for them on the basis of usage since that date.

The New Contract will run until 31 December 2005, in parallel with an existing repair and maintenance contract between HAECO and Cathay Pacific. Assuming satisfactory performance by the Group, the New Contract is renewable by mutual consent for a period of not less than five years, save in the event of the relevant repair and maintenance contract between HAECO and Cathay Pacific not being extended.

The Group is to purchase inventories of parts covered by the New Contract from HAECO including a substantial inventory previously owned by Cathay Pacific and used by HAECO for associated maintenance and repair work. The consideration payable by the Group to HAECO is approximately US\$6 million subject to final confirmation of the amount of stock transferred on 1 September 2002. Payment is due by 15 October 2002.

The Group is entitled to sell any excess inventory to third parties, and HAECO has agreed to provide the necessary documentation for this to occur as and when it is required, subject to a handling fee.

The Group estimated in January 2002 that the potential annual sales value of its existing business with HAECO was US\$13 million-14 million. On the basis of historic usage and pricing data supplied to the Group by HAECO, the Directors consider that the potential annual sales value of the additional business under the New Contract is likely to be in the region of US\$17 million, implying a total potential annual sales value for the New Contract of around US\$30 million.

The New Contract will be operated out of the UK by Aero Inventory (UK) Limited with local customer relations handled by a recently established subsidiary, Aero Inventory (Hong Kong) Limited.

Information on HAECO

HAECO maintains, refurbishes and modifies commercial aircraft and repairs and overhauls aircraft components. HAECO is based principally in Hong Kong International Airport with certain component and avionics overhaul activities based at Tseung Kwan O Industrial Estate, Kowloon. It employs approximately 3,600 staff in four primary operating divisions and a number of support departments. HAECO also holds a 49.5 per cent. share in TAECO (also a customer of the Group) which is based at Xiamen, China. HAECO's turnover in the calendar year 2001 was HK\$1,950 million (approximately US\$250 million). HAECO, which is listed on the Stock Exchange of Hong Kong, is 31.9 per cent. owned by Swire Pacific Limited and 27.3 per cent. by Cathay Pacific, which is itself 45.6 per cent. owned by the Swire Group.

Description of the Group's business

Introduction

The Group provides customised e-based procurement and inventory management solutions to companies in the aerospace industry. The Group acts as an aerospace parts service provider on the basis of long-term, sole-supplier contracts. Aero Inventory holds inventories of parts under these contracts, and its turnover derives from the sale of parts to its customers.

The Group has developed and refined its current business model over the last six years. The Group has ISO 9002 quality certification and FAA accreditation under Advisory Circular 00-56. Besides the New Contract, the Group has three long-term, sole supplier contracts, two in the UK (with CF Taylor and Britax) and one in Asia Pacific (the contract with TAECO).

Market opportunity

The Directors believe that the aerospace market represents an attractive opportunity for Aero Inventory, as an e-based service provider specialising in aerospace parts. The aerospace industry has a requirement for a large number of distinct parts. These parts carry alpha-numeric part numbers making them suitable for management and control by computer. The supplier base of parts to the aerospace industry is fragmented

resulting in there being many different sources of supply. In the opinion of the Directors, aerospace manufacturers, commercial airlines, and aircraft maintenance and repair organisations have in the past largely handled procurement and inventory management internally. The Directors believe there is a trend towards outsourcing, and a rising appreciation of the benefits of e-solutions.

The Aero Inventory service

The business of the Group generally involves it taking full responsibility for an agreed list of parts. In discharging this responsibility, the Group undertakes to ensure that parts are made available to customers in the right place, at the right time and in the right quantities. Among the functions assumed wholly or in part by the Group are: planning; purchasing; receiving; inspection; documentation; storage; kitting; quality assurance; and financing of inventory. Additionally, the Group can provide: on-site representation, as necessary; comprehensive delivery, usage and cost data; and electronic invoicing.

Technology behind the service

The Group's IT system, which operates through a series of databases, is driven by the customer's actual usage in conjunction with data concerning estimated usage. The IT system runs on standard hardware and software.

The business is internet-intensive. The Group makes use of internet search engines for the location of supplies of parts as well as for communications with customers, suppliers and internally. The Group's website provides customer access, through a password-protected client portal, to an area of the Aero Inventory mail server, where a customer is able to view and download pricing, usage and inventory data, and any other specially requested data. The Group's website also facilitates electronic invoicing.

Benefits and rewards

The Directors believe that the benefits to customers from the Group's service can include:

- fewer stockouts or shortages, resulting in improved efficiency and shorter turnaround times;
- a reduction in direct costs in those areas encompassed by the Group's service;
- better parts usage information;
- elimination of the financial cost of holding inventory; and,
- as far as possible, a paperless solution.

The financial rewards for the Group are achieved through optimising procurement as, generally, no separate charge is made for the service. The Directors believe that, as the Group becomes larger and more knowledgeable about sources of parts, its purchasing position will be strengthened. Finally, the Group's experience is that the range of parts covered under sole supplier agreements can be extended over time.

Contracts

At the time of its flotation in May 2000, the Group had two UK customers, CF Taylor and Britax. CF Taylor, which is a subsidiary of B/E Aerospace Inc, is a manufacturer of aircraft galleys, stowages and crew rests. The Group became a supplier of small parts to CF Taylor in early 1996, signed a sole supplier agreement in October 1999, and signed a new three-year agreement in August 2000. Britax, is a manufacturer of aircraft seats, galleys and lavatories. The Group signed a three-year agreement with Britax in September 1998, which was renewed automatically for a further three years in the absence of a decision by either party to terminate.

In the year ended 30 June 2002, Aero Inventory's business in the UK accounted for approximately £3.0 million in sales or approximately 32 per cent. of the total sales for the period.

In November 2000, the Group announced a five-year, sole-supplier contract with HAECO, covering a range of parts required for the maintenance, repair and overhaul of rotables associated with aero engines. The sales arising from this contract increased substantially as a consequence both of new parts being added and of increased usage of parts covered by the contract. This contract has now been superseded by the New Contract.

In January 2002, Aero Inventory announced a Memorandum of Understanding with TAECO, a major aerospace maintenance and repair company based in Xiamen, China. The Memorandum of Understanding was converted into a contract in March 2002.

Established in 1993, TAECO has grown rapidly and now employs approximately 1,800 staff. HAECO owns 49.5 per cent. of TAECO, whose other shareholders include Xiamen Aviation Industry Company Limited, Cathay Pacific Airways Limited, Japan Airlines, Boeing Commercial Aeroplane Group, Beijing Kailan Aviation Technology Development and Service Company (a subsidiary of CAAC), and Singapore Airlines Engineering Company.

In the year ended 30 June 2002, Aero Inventory's business in Asia Pacific accounted for approximately £6.1 million in sales or approximately 68 per cent. of the total sales for the period.

Strategy

The Group's strategy is to continue the rapid growth of the business by securing further profitable long-term, sole-supplier contracts.

The Directors believe there are opportunities for the Group among aerospace manufacturers, airlines, aircraft maintenance and repair facilities, and government agencies. The Group will seek to secure customers who will benefit operationally and financially from its service and who are prepared for the Group to achieve its financial returns subject to meeting cost and performance targets.

In particular the Directors also believe there is a significant opportunity for the Group to establish itself as a service provider in the field of parts required for the maintenance and repair of rotables.

The Directors expect the Asia Pacific region to remain an important geographical focus for the Group in the near term. This is because there is a rapidly growing aerospace market in the region to which, the Directors consider, manufacturing and maintenance and repair work is likely to gravitate given the availability of lower cost, technically qualified labour. The Directors believe the Group's procurement and inventory management service can complement the competitive advantages of businesses based in Asia Pacific, by offering efficiency benefits and cost savings. It can also neutralise some of the difficulties inherent in procuring parts out of Asia Pacific, notably time-zone issues given that most aerospace parts come from Europe or the United States of America.

Financial record

The table below, which has been extracted without material adjustment from the Company's consolidated audited accounts and from its preliminary announcement of audited results for the year ended 30 June 2002, summarises the consolidated financial results of the Group for the four years to 30 June 2002.

	<i>Year ended 30 June</i>			
	1999	2000	2001	2002
	£'000	£'000	£'000	£'000
<i>Consolidated Profit and Loss</i>				
Turnover	3,278	3,249	5,110	9,111
Operating expenses	(3,140)	(3,188)	(4,640)	(7,395)
Operating profit	138	61	470	1,716
Net interest	(107)	(100)	35	(99)
Profit/(loss) before tax	31	(39)	505	1,617
Tax	(10)	4	(136)	(490)
Profit/(loss) after tax	21	(35)	369	1,127
Dividends	–	(30)	(131)	(365)
Retained profit/(loss) for the period	21	(65)	238	762
Basic EPS (p)	0.52	(0.81)	5.17	14.01
Fully diluted EPS (p)	0.52	(0.81)	5.14	13.87
Dividend per share (p)	–	–	1.7	4.3

NOTE

The dividend paid in the year ended 30 June 2000 is not shown in per share terms because it was an interim dividend paid prior to the admission of the Ordinary Shares to trading on AIM under the terms of a now-cancelled shareholders agreement.

	<i>As at 30 June</i>			
	1999	2000	2001	2002
	£'000	£'000	£'000	£'000
<i>Consolidated Balance sheet</i>				
Fixed assets				
Tangible fixed assets	144	106	492	520
Current assets				
Stocks	521	762	3,710	9,748
Debtors	1,103	732	2,465	2,289
Cash	184	2,238	562	–
	1,808	3,732	6,737	12,037
Creditors: amounts falling due within one year	(1,833)	(666)	(2,256)	(4,789)
Net current assets/(liabilities)	(25)	3,066	4,481	7,248
Total assets less current liabilities	119	3,172	4,973	7,768
Creditors: amounts falling due after more than one year	(62)	(40)	(23)	–
Provisions for liabilities and charges	–	–	(25)	(27)
Net assets	57	3,132	4,925	7,741
Capital and reserves				
Called up share capital	25	88	96	106
Share premium account	–	3,096	4,643	6,687
Profit and loss account	32	(52)	186	948
Shareholders' funds	57	3,132	4,925	7,741

Directors

The directors of Aero Inventory are:-

Frank Turner, Non-executive Chairman (aged 59)

Frank Turner joined the Company as a non-executive director in May 2000. He was appointed non-executive Deputy Chairman in June 2000 and became non-executive Chairman in July 2001. A fellow of the Royal Academy of Engineering, he spent 33 years at Rolls-Royce plc becoming a main board director in 1988. He was Managing Director of Lucas Aerospace Limited as well as a director of Lucas Industries plc from 1992 to 1995. He was Chief Executive of British Midland Aviation Services Limited from 1996 to 1999 as well as a main board director of British Midland plc from 1997 to 1999. He is currently Chairman of Mettis Group Limited and Potenza Group Limited, a non-executive director of Mott MacDonald Limited and Material Logistics Limited, and an advisor on aerospace to Bridgepoint Capital Limited, Star Capital Partners Limited, IRRfc and 3i. A former Council Member of the Society of British Aerospace Companies, he is currently a Council Member of the Royal Aeronautical Society and a Council Member of the International Federation of Airworthiness.

Laurence Heyworth, Executive Deputy Chairman (aged 47)

Laurence Heyworth, who has been a major shareholder in the Company since 1994, joined the board as non-executive Chairman in February 2000 and became part-time executive Deputy Chairman in July 2001. He worked for Robert Fleming, now part of JP Morgan Chase, between 1980 and 2000, largely in equity research. He specialised in the technology and telecommunications sectors, and had, at different times, management responsibility for the Group's European and Global Emerging Markets research. Between 1999 and 2000, he was Head of European Equity Capital Markets for, successively, Robert Fleming and Chase.

Rupert Lewin, Chief Executive (aged 46)

Rupert Lewin has had overall responsibility for the direction and management of the Company since 1994. Between 1977 and 1991, he worked as a research analyst for a number of City firms, including Scott, Goff Hancock & Co. (1977-80), Moy, Vandervell & Co. (1980-82), Sheppards and Chase (1982) and Robert Fleming (1982-91). He was a director of Robert Fleming Securities Limited between 1987 and 1991 and, for part of this time, Head of Corporate Broking. Between 1992 and 1994, he was Chief Executive of SI Industries Limited.

Martin Dodge, Asia Pacific Director (aged 40)

Martin Dodge joined the Company at the same time as Rupert Lewin in 1994. He was Commercial Director between December 1998 and August 2002 when he became Asia Pacific Director to reflect his position as Managing Director of Aero Inventory (Hong Kong) Limited. He joined Courage Limited (part of The Imperial Group plc) in 1985 where he progressed to the position of Promotions and Marketing Manager. From 1988 to 1994 he worked as Business Development Manager at SI Industries Limited.

Hugh Bevan, Finance Director (aged 40)

Hugh Bevan, a Chartered Accountant, joined the Company in April 2002. Between 1987 and 2001 he worked for Robert Fleming and Jardine Fleming, which were subsequently acquired by JP Morgan Chase. During this time, he worked mainly in the Hong Kong and London offices on fund raising and advisory transactions. In 1997 he became Chief Operating Officer of Jardine Fleming's Asian Corporate Finance business, and in 1999 returned from Hong Kong to London as Head of Equity Capital Markets Execution.

Nigel McCorkell, Non-executive Director (aged 55)

Nigel McCorkell joined the Company as a non-executive director in April 2000. A Chartered Accountant, he was Finance Director of Flight Refuelling plc (Cobham plc) from 1981 to 1984. After purchasing an equity interest in Meggitt plc in 1984, he was Finance Director, becoming Managing Director between 1991 and 1994. He was Deputy Chairman of Meggitt between 1994 and 1996. In 1996 he became Chairman of Cork Industries Limited until the company was acquired in 1999. He is a non-executive Director of FfastFill plc and Bowman Power Limited. He is a non-executive director of St Mary's Hospital Paddington NHS Trust. He is also Chairman of the board of governors of Bournemouth University.

Hugh Bevan succeeded Stuart Nathan as Finance Director and Company Secretary with effect from 8 April 2002. Stuart Nathan continues as a director of the UK operating company, Aero Inventory (UK) Limited.

Martin Dodge, who was the Company's Commercial Director, has been appointed Managing Director of Aero Inventory (Hong Kong) Limited, a recently established wholly owned subsidiary which will be responsible for customer relations in Asia Pacific and, in particular, Hong Kong and China. In August 2002 Mr Dodge was re-designated Asia Pacific Director of Aero Inventory.

Current trading and future prospects

In the short period since the financial year-end the Group's existing contracts have continued to perform in line with expectations. During this period there has been a planned increase in costs in preparation for the New Contract which commenced on 1 September 2002.

The New Contract and the contract with TAECO underpin the prospect of further substantial growth for Aero Inventory in the year to 30 June 2003. Furthermore, the Board considers that the Group is well-placed to pursue a number of significant opportunities to broaden its customer base as an e-based service provider in the field of parts for rotables and other aircraft components.

The Board believes that the New Contract underlines the Group's industry credentials and views the future with confidence.

Dividend policy

The Board intends to pursue a progressive dividend policy. The declaration and payment by the Company of future dividends and the amount thereof will depend upon the Company's results from operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors considered relevant by the Directors at the time.

Corporate governance

The Directors recognise the value of the Principles of Good Governance and the Code of Best Practice prepared by the Committee on Corporate Governance chaired by Sir Ronald Hempel (“the Combined Code”).

Whilst the Company is not formally required to comply with the Combined Code, the Board supports that code and also the “Guidance for Smaller Quoted Companies” provided by the Quoted Companies Alliance (“QCA”) in so far as it is practicable and appropriate for a public company of its size.

Details of the Placing

As stated above, the Company proposes to raise £6 million (before expenses) through the issue of the New Ordinary Shares at the Placing Price, which represents a discount of 8.3 per cent. to the closing middle market price of 360p per share on 10 September 2002, the last practicable date prior to the posting of this document. The New Ordinary Shares will represent 17.7 per cent. of the Company’s enlarged issued share capital immediately following the Placing.

As part of the Placing, Evolution Beeson Gregory has agreed to place 798,691 Existing Shares on behalf of the Founders. These shares represent 25 per cent. of the total shareholdings of each of the Founders and 9.4 per cent. of the total issued share capital of the Company as at the date of this document. The Board believes that this represents an appropriate opportunity for the Founders, only one of whom has previously sold shares, to diversify their assets. Evolution Beeson Gregory has advised the Board that the Placing will help to improve the liquidity of the Company’s Ordinary Shares in the future. Following the Placing, the Founders’ shareholdings will represent 23.3 per cent. of the enlarged issued share capital.

The Founders have undertaken not to dispose of any further Ordinary Shares for a period of at least 24 months from Admission subject to certain exceptions and save as may be necessary to satisfy the private option agreements with me referred to in paragraph 6.1 of Part III of this document.

Hugh Bevan, Nigel McCorkell and I are subscribing for 10,000, 3,600 and 6,000 Placing Shares respectively as part of the Placing on behalf of either ourselves or our spouses.

The Placing is conditional, *inter alia*, on the passing of the Resolutions at the EGM and Admission.

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that trading in the New Ordinary Shares will commence on 8 October 2002.

A summary of the Placing Agreement is provided at paragraph 7 of Part III of this document.

Use of proceeds

The proceeds from the placing of the New Ordinary Shares will be used to make payment of US\$6 million (subject to adjustment) for the inventories being purchased under the New Contract and to provide working capital for the New Contract. As at 30 June 2002 the Company’s net debt was £2.5 million. Taking into account the net proceeds from the placing of the New Ordinary Shares and the cost of the inventories being purchased under the New Contract, the proforma net debt of the Group would be £1.0 million, which represents gearing of approximately 7 per cent. of the increased shareholders’ funds. The Group currently has a £5 million revolving facility with The Royal Bank of Scotland plc.

New Ordinary Shares

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Shares (which include the Founder Shares) including the right to dividends and other distributions declared following Admission. For the avoidance of doubt, the Placing Shares in the hands of the places will not rank for the final dividend of 2.3p payable on 2 December 2002 to Shareholders on the register on 20 September 2002.

Extraordinary General Meeting

Set out on pages 34 and 35 of this document is a notice convening the EGM to be held on 7 October 2002 at the offices of Taylor Wessing, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX, at 11 a.m., at which the Resolutions (as set out in such notice) will be proposed.

Further information

Your attention is drawn to the further information set out in Parts II and III of this document.

Shareholders should read the whole of this document and not rely solely on the summarised information above.

Action to be taken

A form of proxy for use at the EGM is enclosed. The Form of Proxy should be completed in accordance with the instructions and returned to the Company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to be received by 11 a.m. on 5 October 2002. The completion and return of a form of proxy will not preclude Shareholders from attending the EGM and voting in person should you wish.

Recommendation

The Directors consider the Resolutions to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, your Directors unanimously recommend that you vote in favour of the Resolutions, to be proposed at the EGM, as they have irrevocably undertaken to do in respect of their own beneficial holdings amounting in aggregate to 3,415,087 Existing Shares representing approximately 40.3 per cent. of the current issued ordinary share capital of the Company.

Yours sincerely

Frank Turner
Chairman

PART II

PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 30 JUNE 2002

CHAIRMAN'S STATEMENT

RESULTS

The results for the year ended 30 June 2002 show Aero Inventory moving further into significant profitability in its second full year as a listed company. Pre-tax profits were up more than three fold to £1,617,000 (2001: £505,000) on turnover of £9,111,000 (2001: £5,110,000), up 78 per cent.

The Board is recommending a final dividend of 2.3p net per share which, with the interim dividend already paid, gives a total for the year of 4.3p net per share (2001: 1.7p), an annual increase of 153 per cent. The dividend reflects our confidence in the future and our intention to pursue a progressive dividend policy.

INDUSTRY CONDITIONS

The civil aerospace industry has experienced severe difficulties over the last year. Aero Inventory has, inevitably, been affected to some extent by reduced activity levels at its customers particularly in the UK. However, our strong new business position in the relatively resilient Asia Pacific market has meant that it has been possible nevertheless to achieve substantial growth in sales. Furthermore, we have systematically taken advantage of a favourable procurement environment.

Difficult industry conditions mean that aerospace manufacturers, airlines, and maintenance and repair organisations must strive to reduce costs and improve efficiency, particularly, where appropriate, through outsourcing. This enhances the growth opportunity for Aero Inventory as an e-based aerospace parts service provider.

NEW CONTRACTS

On 8 March 2002, Aero Inventory announced that it had signed a five-year, sole-supplier procurement and inventory management contract with Taikoo (Xiamen) Aircraft Engineering Company Limited ("TAECO") in support of TAECO's aircraft maintenance and passenger-to-freighter conversion programmes. TAECO is a leading Chinese aerospace maintenance and repair company.

On 16 August 2002, concluding a number of months of discussions, Aero Inventory announced a major new, sole-supplier procurement and inventory management contract with the Hong Kong Aircraft Engineering Company Limited ("HAECO"), a leading Hong Kong based aerospace maintenance and repair company to which the Group has been a supplier since December 2000. The new contract, which encompasses the Group's existing business with HAECO as well as substantial new business, runs from 1 September 2002 until 31 December 2005, renewable subject to certain conditions for a further five years thereafter.

This new contract with HAECO relates to the supply of parts required for the maintenance and repair of a broad range of rotables (i.e. regularly overhauled removable components) and other aircraft components. The new contract signifies an important extension of the Group's role as a service provider to HAECO, principally in support of Cathay Pacific. The Directors of Aero Inventory consider that the potential annual sales value of the new contract is approximately US\$30 million, of which US\$17 million relates to additional business and US\$13 million-US\$14 million to existing business. Under the new contract and in accordance with the Group's normal business model, Aero Inventory has agreed to purchase from HAECO relevant inventories of parts including a substantial inventory previously owned by Cathay Pacific and used by HAECO. The price to be paid for these inventories is approximately US\$6 million.

FINANCING

In January 2002, at the time of announcing a Memorandum of Understanding with TAECO, Aero Inventory raised £2,054,000 (net of expenses) through a placing of 770,682 new shares with existing and new shareholders. I should like to thank them, and indeed shareholders generally, for their support.

Following this equity placing, The Royal Bank of Scotland plc increased the revolving credit facility available to Aero Inventory from £3.5 million to £5 million.

On 11 September 2002, Aero Inventory entered into an agreement with Evolution Beeson Gregory Limited to raise approximately £6 million (before expenses) by way of an underwritten placing of 1,818,182 new shares, subject, *inter alia*, to shareholder approval at an Extraordinary General Meeting. The proceeds will be used for purchasing the inventories under the new HAECO contract and to provide working capital for the new HAECO contract. This placing is the subject of a separate circular to shareholders which is expected to be posted later today.

CURRENT TRADING AND PROSPECTS

In the short period since the financial year-end the Group's existing contracts have continued to perform in line with expectations. During this period there has been a planned increase in costs in preparation for the new HAECO contract which commenced on 1 September 2002.

The new HAECO contract and the contract with TAECO underpin the prospect of further substantial growth for Aero Inventory in the year to 30 June 2003. Furthermore, the Board considers that the Group is well-placed to pursue a number of significant opportunities to broaden its customer base as an e-based service provider in the field of parts for rotables and other aircraft components.

The Board believes that the new HAECO contract underlines the Group's industry credentials and views the future with confidence.

BOARD

On 8 April 2002 Hugh Bevan succeeded Stuart Nathan as Finance Director. I should like to thank Mr Nathan, who continues as a director of the UK operating company, for his significant contribution in this role over three years. Mr Bevan brings with him a wealth of business, financial, legal and administrative experience much of it gained in Asia Pacific.

Martin Dodge, previously our Commercial Director, has been appointed Managing Director of Aero Inventory (Hong Kong) Limited, a recently established subsidiary responsible for customer relations in the Asia Pacific region. Mr Dodge has been re-designated Asia Pacific Director.

THANKS

The rapidly growing team at Aero Inventory is, I believe, characterised by an exceptional level of customer focus, determination and enthusiasm. I should like to thank everyone who has contributed to another successful year.

Frank Turner

Non-executive Chairman

11 September 2002

CHIEF EXECUTIVE'S STATEMENT

REVIEW OF RESULTS

Turnover for the year increased by 78 per cent. to £9,111,000 (2001: £5,110,000) as a consequence of strong growth in the Asia Pacific region which with turnover of £6,150,000 accounted for 68 per cent. of total turnover in the year. This strong performance more than offset the 20 per cent. decline in turnover in our UK business to £2,961,000 due to a reduction in activity levels following the events of 11 September 2001.

Turnover only included a minimal contribution from the TAECO contract, referred to in the Chairman's statement, and does not reflect the turnover of the additional business from the new HAECO contract.

Our gross margins continue to be satisfactory and operating profit was up by 265 per cent. to £1,716,000 (2001: £470,000). Staff costs, the principal fixed element of operating expenses, rose by only 36 per cent. to £1,342,000 (2001: £990,000), which is significantly less than the percentage growth in turnover. The average number of employees during the year was 45 (2001: 32).

As we began to utilise our revolving credit facility we became a net payer of interest (£99,000 against a net credit last year of £35,000). Net debt at the year end was £2,536,000 (2001: £525,000 net cash).

The pre-tax profit for the year was £1,617,000 (2001: £505,000), which after a tax charge of £490,000 (2001: £136,000) gave rise to an after tax profit of £1,127,000 (2001: £369,000) and basic earnings per share of 14.01p up 171 per cent. on last year's earnings per share of 5.17p. The fully diluted earnings per share were 13.87p (2001: 5.14p).

The year-end consolidated balance sheet shows greatly increased stock levels at £9,748,000 (2001: £3,710,000) reflecting the increased needs of our growing business in Asia Pacific. We have funded our increased working capital needs by a placing of 770,682 new shares in January of this year which raised £2,054,000 (net) and by drawing down on our banking facilities.

Capital expenditure of £206,000 was lower than last year's £465,000, which included the costs of refurbishing and re-equipping our main building.

The average US Dollar/Sterling exchange rate during the year was 1.44 (2001: 1.43) and the rate used for translating year-end financial assets and liabilities was 1.52 (2001: 1.41).

DIVIDEND

The Board is recommending a final dividend of 2.3p net per share to be paid on 2 December 2002 to shareholders on the register on 20 September 2002. Aero Inventory paid an interim dividend of 2.0p net, making total dividends for the year of 4.3p net (2001: 1.7p).

BUILDINGS

During the year, Aero Inventory took a lease on a 7,000 square foot warehouse close to our main building. The two buildings have been linked by high capacity telecommunications cables, and it is intended that all our warehouse and associated activities will be moved into this new building in the coming months in order to permit the creation of further office space in the main building.

INFORMATION TECHNOLOGY

During the year, Aero Inventory's stock control database - ASSIST - has continued to be developed, and will shortly be used for our Asia Pacific as well as our UK business. Since the year-end, we have combined our database development and data processing activities into one department.

We shall shortly activate a re-designed version of our website. In addition to its marketing function, the website allows a customer to view and download pricing, usage and inventory data, and any other specially requested data. The website also facilitates electronic invoicing.

MARKETING STRATEGY

Aero Inventory's strategy is to continue the rapid growth of the business by securing further profitable long-term, sole-supplier contracts. We believe there are opportunities for the Group among aerospace manufacturers, airlines, aircraft maintenance and repair companies, and government agencies. Aero Inventory will seek to secure customers who will benefit operationally and financially from its service and who are prepared for the Group to achieve its financial returns subject to meeting cost and performance targets.

In particular, we also believe that there is a significant opportunity for Aero Inventory to establish itself as an e-based service provider in the field of parts required for the maintenance and repair of rotables and other aircraft components.

We expect the Asia Pacific region to remain an important geographical focus for the Group in the near term. This is because there is a rapidly growing aerospace market in the region to which, we believe, manufacturing and maintenance and repair work is likely to gravitate given the availability of lower cost, technically qualified labour. We believe that the Group's procurement and inventory management service can complement the competitive advantages of businesses based in Asia Pacific, by offering efficiency benefits and cost savings. It can also neutralise some of the difficulties inherent in procuring parts out of Asia Pacific, notably time-zone issues given that most aerospace parts come from Europe or the United States.

Rupert Lewin
Chief Executive

11 September 2002

AERO INVENTORY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
TURNOVER	9,111	5,110
Operating expenses	<u>(7,395)</u>	<u>(4,640)</u>
OPERATING PROFIT	1,716	470
Interest receivable	6	42
Interest payable	<u>(105)</u>	<u>(7)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,617	505
Taxation on profit on ordinary activities	<u>(490)</u>	<u>(136)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	1,127	369
Dividends	<u>(365)</u>	<u>(131)</u>
RETAINED PROFIT FOR THE YEAR	<u>762</u>	<u>238</u>
Basic earnings per share	<u>14.01p</u>	<u>5.17p</u>
Fully diluted earnings per share	<u>13.87p</u>	<u>5.14p</u>

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2002

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
FIXED ASSETS		
Tangible fixed assets	<u>520</u>	<u>492</u>
CURRENT ASSETS		
Stocks	9,748	3,710
Debtors	2,289	2,465
Cash at bank and in hand	–	562
	<u>12,037</u>	<u>6,737</u>
CREDITORS: amounts falling due within one year	<u>(4,789)</u>	<u>(2,256)</u>
NET CURRENT ASSETS	<u>7,248</u>	<u>4,481</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	7,768	4,973
CREDITORS: amounts falling due after more than one year	–	(23)
PROVISIONS FOR LIABILITIES AND CHARGES	<u>(27)</u>	<u>(25)</u>
NET ASSETS	<u>7,741</u>	<u>4,925</u>
CAPITAL AND RESERVES		
Called up share capital	106	96
Share premium account	6,687	4,643
Profit and loss account	<u>948</u>	<u>186</u>
SHAREHOLDERS' FUNDS - All equity	<u>7,741</u>	<u>4,925</u>

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002**

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Net cash outflow from operating activities	(4,428)	(2,797)
Returns on investments and servicing of finance	(99)	45
Taxation	(105)	6
Capital expenditure and financial investment	(182)	(461)
Equity dividends paid	(301)	–
	<u>(5,115)</u>	<u>(3,207)</u>
Financing		
Issue of shares - net of expenses	2,054	1,556
Decrease in debt	(14)	(25)
	<u>2,040</u>	<u>1,531</u>
Decrease in cash in the period	<u><u>(3,075)</u></u>	<u><u>(1,676)</u></u>

**RECONCILIATION OF OPERATING PROFIT TO NET CASH
OUTFLOW FROM OPERATING ACTIVITIES**

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	1,716	470
Depreciation of tangible fixed assets	159	78
Profit on disposal of tangible fixed assets	(4)	(3)
Decrease/(increase) in debtors	176	(1,751)
Increase in stocks	(6,038)	(2,948)
(Decrease)/increase in creditors	(437)	1,357
Net cash outflow from operating activities	<u><u>(4,428)</u></u>	<u><u>(2,797)</u></u>

NOTES TO THE PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2002

1. The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended 30 June 2002 and 30 June 2001 have been extracted from the annual accounts on which the auditors have issued an unqualified report. A copy of the annual accounts will be posted to shareholders by 23 September 2002, and will be filed with the registrar of companies in due course.
2. The directors recommend the payment of a final dividend of 2.3p per share.
3. Basic and fully diluted earnings per share has been calculated on the Group's profit attributable to shareholders of £1,127,000 (2001: profit £369,000), and on the weighted average number of shares in issue during the financial year, which for the basic earnings per share was 8,036,216 (2001: 7,137,240) and for the fully diluted earnings per share was 8,119,891 (2001: 7,183,446).
4. On 11 September 2002 Aero Inventory entered into a placing agreement with Evolution Beeson Gregory Limited and certain founder shareholders under which Evolution Beeson Gregory agreed to procure places for 2,616,873 shares of the Company at a price of 330p per share subject to certain conditions. Of the shares to be placed 1,818,182 will be new shares issued by the Company and 798,691 are to be sold by founder shareholders (who are also directors of the Company). The net proceeds to the Company are expected to amount to approximately £5.44 million. This placing is the subject of a separate circular to shareholders which is expected to be posted to Shareholders today, 11 September 2002

The Annual General Meeting of the company will be held at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ on Wednesday 27 November 2002 at 11 a.m.

PART III

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated and registered in England and Wales as a private limited company under the Act on 12 January 1994 with registered number 2887038 and was re-registered as a public limited company on 11 April 2000.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made under the Act.
- 1.3 The Company's registered office and principal place of business is at 30 Lancaster Road, New Barnet, Hertfordshire EN4 8AP.

2. Subsidiaries

The Company is the parent of Aero Inventory (UK) Limited which was incorporated in England and Wales on 4 March 1994 as a private limited company with registered number 2904862. The registered office of Aero Inventory (UK) Limited is 30 Lancaster Road, New Barnet, Hertfordshire EN4 8AP. Aero Inventory (UK) Limited is the parent of Aero Inventory (Hong Kong) Limited which was incorporated in Hong Kong on 18 January 2002 as a limited company with registered number 782906. The registered office of Aero Inventory (Hong Kong) Limited is 2001, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. Share Capital

- 3.1 The following table shows the number of authorised and issued Ordinary Shares at the date of this document and immediately following the Placing:

	<i>Ordinary Share Capital</i>			
	<i>Authorised Number</i>	<i>£</i>	<i>Issued and fully paid Number</i>	<i>£</i>
At the date of this document	80,000,000	1,000,000	8,477,511	105,968.88
Immediately following the Placing	80,000,000	1,000,000	10,295,693	128,696.16

- 3.2 As far as the Company is aware, as at 10 September 2002 (the latest practicable date before the publication of this document), the following persons had interests (other than Directors' interests) within the meaning of section 208 of the Act in the issued Ordinary Share capital of the Company which, directly or indirectly, represent or will represent, following the Placing, 3 per cent. or more of the issued Ordinary Share capital of the Company:

	<i>As at the date of this Document</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
Singer & Friedlander Investment Management Limited	1,324,358	15.62
Rathbone Investment Management Limited	688,165	8.11
R W J Davis	445,000	5.25
Liontrust Asset Management Limited	332,200	3.92

Save as disclosed above, the Directors are not aware of any person who, directly or indirectly, is or will be following the Placing, interested in 3 per cent. or more of the Company's issued Ordinary Share capital.

- 3.3 At the date of this document options over Ordinary Shares have been granted by the Company to one Director, H C Bevan, as follows:

<i>Number of Ordinary Shares the subject of Options</i>	<i>Exercise price</i>	<i>Exercise period</i>
25,641	390p	9.4.05 – 9.4.12

In addition, the Company has also granted options over 195,858 Ordinary Shares to certain employees. As at the date of this document, there are outstanding in aggregate 221,499 options which represents 2.6 per cent. of the current issued ordinary share capital.

4. Memorandum of Association

The memorandum of association of the Company (the “Memorandum”) provides that the Company’s principal object is to act as a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum.

5. Articles of Association

The articles of association of the Company (the “Articles”) include provisions to the following effect:

5.1 Votes of members

5.1.1 Votes attaching to shares

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

5.1.2 No voting rights where calls outstanding

No member shall unless the Board otherwise determines, be entitled to vote:

- (a) if any call or other sum presently payable by him to the Company in respect of the shares remains unpaid; or
- (b) if a member has been served with a restriction notice and failed to provide the Company with information concerning interest in those shares required to be provided under the Act.

5.2 Transfer of shares

5.2.1 Form of Transfer

Transfers of shares may be effected by an instrument of transfer in any usual form or in any other form approved by the Board. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

5.2.2 Right to Refuse to Register a Transfer

The Board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any share which is not a fully paid share. The Board may decline to recognise any instrument of transfer unless:

- (a) the duly stamped instrument of transfer:
 - (i) is in respect of only one class of share;
 - (ii) is lodged at the registered office or such other place as the Board may appoint; and
 - (iii) is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(b) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

5.2.3 The Board may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interest in those shares required to be provided under the Articles or the Act until such failure has been remedied.

5.3 *Dividends*

5.3.1 *Final Dividends*

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board.

5.3.2 *Interim and Fixed Dividends*

In so far as, in the opinion of the Board, the profits of the Company justify such payments, the Board may declare and pay the fixed dividends on any class of shares carrying fixed dividends expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in respect of such periods as it thinks fit.

5.3.3 *Retention of Dividends*

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The Board may withhold dividends payable on shares after there has been failure to provide the Company with information concerning interests in those shares required to be provided under the Act until such failure has been remedied.

5.3.4 *Unclaimed Dividend*

Any dividend unclaimed after a period of twelve months from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

5.3.5 *Distribution in Specie*

The Company may upon the recommendation of the Board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution.

5.3.6 *Distribution in specie on a winding up*

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution and subject to any provision of law, divide among the members *in specie* or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes or property and may determine how such division shall be carried out as between the members or different classes of members.

5.4 *Capitalisation of profits and reserves*

5.4.1 The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account.

5.4.2 Such capitalisation shall be effected by appropriating such sum to the holders of ordinary shares in proportion to their holdings of ordinary shares and applying such sum on their behalf in paying up in full unissued shares.

5.5 *Share capital*

5.5.1 *Variation of Rights*

The special rights attached to any class may, subject to the provisions of the Act, be varied either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

5.5.2 *Increase in Share Capital*

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

5.5.3 *Consolidation, Subdivision and Cancellation*

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (b) cancel any shares which have not been taken or agreed to be taken or diminish the amount of its capital by the amounts of the shares so cancelled;
- (c) subject to the provisions of the Act, sub-divide its shares.

5.5.4 *Reduction or Cancellation*

The Company may by special resolution reduce or cancel its share capital or any revaluation reserve or share premium account or any other reserve fund in any manner and with and subject to any confirmation or consent required by law.

5.5.5 *Purchase of own shares*

Subject to the provisions of the Act, the Company may purchase or may enter into any contract under which it will or may purchase, any of its own shares.

5.6 *Forfeiture and lien*

5.6.1 *Notice on failure to pay a call*

If a member fails to pay in full any call or instalment of a call on the due date for payment the Board may at any time after the failure serve a notice on him requiring payment and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

5.6.2 *Lien on partly-paid shares*

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share.

5.6.3 *Sale of shares subject to lien*

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

5.7 *Directors*

5.7.1 *Number of Directors*

Unless otherwise determined by ordinary resolution of the Company the Directors shall not be fewer than two nor more than ten in number.

5.7.2 *Directors' Fees*

Fees payable to Directors in such capacity shall from time to time be determined by the Board except that such fees shall not exceed £100,000 per annum in aggregate or such higher sum as may from time to time be determined by ordinary resolution of the Company.

5.7.3 *Directors' Expenses*

The Board may repay to any Director all such reasonable expenses as he may incur in attending meetings of the Board or of any committee of the Board or shareholders' meetings or otherwise in connection with the business of the Company.

5.7.4 *Age Limit*

Any provision of the Act which would have the effect of rendering any person ineligible for appointment or election as a Director or liable to vacate office as a Director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any Director over a specified age, applies to the Company.

5.7.5 *Retirement by Rotation*

At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

5.7.6 *Restrictions on Voting*

A Director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal whatsoever in which he or persons connected with him have a material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.

Subject to the provisions of the Act, a Director shall (in the absence of some other material interest other than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to:

- (a) any contract or arrangement for giving to such Director any security, guarantee or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any subsidiary;
- (b) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any subsidiary which the Director has himself guaranteed, indemnified or secured in whole or in part;
- (c) any contract or arrangement by a Director to subscribe for securities of the Company issued or to be issued pursuant to any offer in which the Director is or may be entitled to participate as a holder of securities, or in the underwriting or sub-underwriting of which the Director is to participate;
- (d) any contract or arrangement concerning any other company (not being a company in which the Director owns one per cent. or more) in which he (together with the persons connected with him within the meaning of section 346 of the 1985 Act) is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever in one per cent. or more of either any class of the equity share capital or the voting rights in such company;
- (e) any proposal concerning any pension fund or retirement death or disability benefits scheme or employees' share scheme which has been approved by the Inland Revenue and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
- (f) insurance which the Company proposes to maintain or purchase for the benefit of Directors or persons including Directors of the Company.

5.8 *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

6. Directors' and other interests

6.1 At the date of this document and immediately following the Placing, the interests (all of which are beneficial) of the Directors (including persons connected with them within the meaning of section 346 of the Act) in the issued share capital of the Company, which have been notified to the Company pursuant to sections 324 and 328 of the Act and which are (or will be) shown in the register of Directors' interests maintained under section 325 of the Act both at the date of this document and following the Placing, are and will be as follows:

<i>Directors</i>	<i>At the date of this document</i>	<i>Percentage of issued ordinary share capital</i>	<i>Immediately following the Placing</i>	<i>Percentage of issued ordinary share capital</i>
	<i>Number of Ordinary Shares</i>		<i>Number of Ordinary Shares</i>	
F Turner	106,206	1.25	112,206	1.09
L Heyworth	1,082,677	12.77	812,008	7.89
P R Lewin	1,541,367	18.18	1,156,025	11.23
M P Dodge	570,720	6.73	428,040	4.16
H C Bevan	32,520	0.38	42,520	0.41
H N P McCorkell	81,600	0.96	85,200	0.83

In addition, private option arrangements were put in place on 9 November 2000 by each of L Heyworth, P R Lewin, M P Dodge and R W J Davis for the benefit of F Turner. In total, F Turner was granted options over 433,333 Ordinary Shares as follows:

<i>Grantor</i>	<i>Number of Ordinary Shares the subject of the option</i>	<i>Exercise Price</i>	<i>Exercise Period</i>
L Heyworth	100,000	125p	09.11.03 – 09.11.05
L Heyworth	94,160	250p	09.11.03 – 09.11.05
P R Lewin	151,033	250p	09.11.03 – 09.11.05
M P Dodge	51,821	250p	09.11.03 – 09.11.05
R W J Davis	36,319	250p	09.11.03 – 09.11.05

Save as disclosed above and in paragraph 3, none of the Directors or any persons connected with them (within the meaning of Section 346 of the Act) has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

6.2 Directors' remuneration and service agreements

6.2.1 Save as set out in this paragraph 6, as of the date of this document the Directors have neither fees nor are due any remuneration or benefits in kind in their capacity as Directors.

6.2.2 The aggregate remuneration and benefits in kind of the Executive Directors in respect of the financial year ending 30 June 2002 was £346,000. The Remuneration Committee is currently reviewing Executive Directors' salaries.

6.2.3 The following service contracts and letters of appointment have been entered into by the Company:

- (a) an agreement dated 24 February 2001 (as amended by a letter dated 17 July 2001) between Potenza Enterprises Limited ("Potenza") and the Company whereby Potenza agrees to provide the services of Frank Turner as the non-executive Chairman of the Company for an indefinite period subject to the rotation provisions set out in the Articles and other termination provisions for an annual fee of £25,000 plus any applicable VAT payable with effect from 1 July 2001 and subject to an annual review by the Board and with effect from 1 July 2001 an additional fee of £15,000 plus any applicable VAT payable 6 monthly in advance with a right to apply such fee for the subscription for Ordinary Shares in the Company at a market valuation.

- (b) a service agreement dated 3 July 2001 between the Company and Laurence Heyworth under which Laurence Heyworth is employed as the executive Deputy Chairman for an initial period of 12 months commencing on 1 July 2001 and thereafter terminable by either party on 12 months' notice at a salary (subject to upwards reviews from time to time) of £50,000 per annum for 145 working days per annum plus membership of the Company's medical expenses scheme and the Group's long term disability scheme;
- (c) a service agreement dated 15 May 2000 between the Company and Paul Rupert Lewin under which Paul Rupert Lewin is employed as the Chief Executive for an initial period of two years thereafter terminable by either party on twelve months' notice at a salary (subject to upwards reviews from time to time) of £80,000 per annum plus membership of the Company's medical expenses scheme and the Group's long term disability scheme;
- (d) a service agreement dated 3 May 2002 between Aero Inventory (Hong Kong) Limited and Martin Peter Dodge under which Martin Peter Dodge is employed as Managing Director with effect from 25 June 2002 for an initial period of two years unless terminated by either party on twelve months' notice at a salary (subject to upwards reviews from time to time) of £60,000 per annum payable in Hong Kong dollars plus an overseas allowance of £10,333 per annum payable monthly in arrears in Hong Kong dollars, provision of residential accommodation either by provision of a lease by Aero Inventory (Hong Kong) Limited or by reimbursement of rental expenses up to a monthly cost of HK\$32,000, one return flight airfare to the UK per annum based on World Traveller Plus grade, an annual leave passage allowance of £6,000 payable monthly in Hong Kong dollars, reasonable medical benefits or medical insurance, and membership of the Group's long term disability scheme;
- (e) a service agreement dated 22 March 2002 between the Company and Hugh Charles Bevan under which Hugh Charles Bevan is employed as the Finance Director, Company Secretary and Director for a period commencing on 8 April 2002 terminable by either party on six months' notice and subject to automatic termination without notice on his sixtieth birthday at a salary (subject to upwards reviews from time to time) of £65,000 per annum plus membership of the Company's medical expenses scheme, and the Group's long term disability scheme;
- (f) a letter of appointment dated 5 April 2000 (and an amending agreement to that letter dated 15 May 2000) between the Company and Henry Nigel Pakenham McCorkell under which he is appointed a non-executive Director of the Company for an indefinite period subject to the rotation provisions set out in the Articles and other termination provisions for:
 - (i) an annual fee of £15,000 plus any applicable VAT which for the year commencing 1 July 2000 was paid in advance for the twelve month period on that date and which with effect from 1 July 2001 is payable quarterly in advance and is subject to an annual review by the Board; and
 - (ii) an additional fee of £15,000 plus any applicable VAT which for the year commencing 1 July 2000 was payable 6 months in advance but which with effect from the year commencing 1 July 2001 is payable 12 months in advance with a right to apply such fee for the subscription for Ordinary Shares in the Company at a market valuation.

6.2.4 Save as set out above, there is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

6.2.5 Upon termination, each of Laurence Heyworth, Paul Rupert Lewin, Martin Peter Dodge and Hugh Charles Bevan (the "Executive Directors") are bound by on-going obligations of confidentiality to both the Company and any Associated Company (as defined in each service agreement) in respect of confidential information or trade secrets relating to the Company, any Associated Company or their business. In addition, the Executive Directors are prohibited from the following activities in the following ways upon termination of their employment:

- (a) the Executive Directors may not solicit any customers of the Company or any Associated Company for a period of twelve months after their termination date either for their own or others' benefit;
- (b) the Executive Directors may not solicit Company employees for a period of six months after their termination date either for their own or any others' benefit;
- (c) the Executive Directors may not interfere with a continuance of supplies to the Company for a period of twelve months after their termination date either for their own or on another's benefit;
- (d) the Executive Directors may not be engaged with any entity that is engaged in the Company's business (defined as "e-based customised procurement and inventory management services for the aerospace industry and all directly related services") for a period of six months after their termination date.

6.2.6 Any intellectual property (defined) that is originated (defined) by any of the Executive Directors during their employment shall vest automatically with the Company and the Executive Directors are obliged to take such steps as may be necessary to effect such vesting or to protect the Company's interests.

6.2.7 The Board of the Company has the right to suspend (on full pay) any of the Directors for suspected misconduct. If the Board concludes that any Director should be dismissed by virtue of their misconduct, such dismissal will result in the Directors' having to resign their executive post.

6.3 *Loans and guarantees*

There are no loans or guarantees provided by any member of the Company for the benefit of any Director.

6.4 *Directors' interests in transactions*

Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

6.5 Directorships

Other than directorships of Group companies, the Directors hold, and have previously held during the five years preceding the date of this document the following directorships:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
F Turner	Aeronautical Trusts Limited Potenza Limited Potenza Enterprises Limited Potenza Net Limited Potenza Technology Limited Material Logistics Limited Mettis Group Limited Mott Macdonald Group Limited	BM Handling Services Limited British Midland Aviation Services Limited British Midland Engineering Limited British Midland plc British Regional Airlines (Holdings) Limited Wagon plc ASW Holdings plc
L Heyworth	None	Robert Fleming Securities Limited
P R Lewin	None	Estmanco Limited
H C Bevan	None	Robert Fleming International Limited Jardine Fleming Securities Limited Jardine Fleming International Inc
H N P McCorkell	Hamsard One Thousand and Forty Three Limited H.N.P. Limited Chargeready Limited Codelogo Limited Metal Rings Co. Limited Drum Closures Limited Kolok Manufacturing Company Limited Columbia Ribbon Manufacturing Company Limited Columbia (International) Limited Incanite Foundries Limited Chargeready (Holdings) Limited Bowman Power Limited Bournemouth Power Systems Limited Ffastfill plc	John Cleland Group Limited Hamsard One Thousand and Sixty Four Limited Columbia Computer Products Limited Ouncebound Cork Industries Employee Trust Limited Hunt Power Drives Limited Cork Industries Limited BWT (Holdings) Limited Fellcrest Limited Baxter Woodhouse and Taylor Ltd Windak Limited Bird Precision Bellows Limited Cadogan Numerical Control Limited Midcast Engineering Limited AA1 (Holdings) Limited Cadogan Engineering Company Limited Advanced Aero Industries Limited Cork Aerostructures Limited Midcast Engineering (Wales) Limited Hunt Power Drives Limited Meggitt plc Huco Power Transmission Limited McKechnie plc Bibby Group Limited Southern Educational Enterprises Limited Bibby Transmissions Limited Huco Engineering Industries Limited Motion Developments Limited Pitchline Transmissions Limited Goodyer & Davis Engineering Limited Turboflex Limited T. & A. Nash (Perm) Limited Euroflex Transmissions Limited Torsiflex Limited

F Turner was a non-executive director of ASW Holdings plc when that company went into administrative receivership on 10 July 2002.

P R Lewin was a director of SI Industries Limited and SI Holdings Limited at the time when receivers were appointed to those companies in January 1994. Both companies subsequently went into liquidation.

H N P McCorkell was the non-executive chairman of John Cleland Group when that company went into administrative receivership in January 2000.

Save as disclosed above, none of the Directors has been a director or partner at any time in the previous five years. None of the Directors has any unspent convictions in respect of indictable offences. None of the Directors has been declared bankrupt or entered into an individual voluntary arrangement. None of the Directors was a partner of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner of any partnership at the time of or within 12 months of receivership of any assets of such partnership.

There have been no public criticisms of any of the Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Save as disclosed above, none of the Directors was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangements with such company's creditors generally or any class of its creditors.

7. Material Contracts

Your attention is drawn to the summary of material contracts set out in paragraph 8 of part III of a prospectus related to the Company dated 15 May 2000 ("the Prospectus"). Since the issue of the Prospectus, the Company has entered into the Placing Agreement, which is not a contract entered into in the ordinary course of business and which is or may be material.

The Placing Agreement, dated 11 September 2002 is made between the Company, the Directors, the Founders and Evolution Beeson Gregory. Under the Placing Agreement Evolution Beeson Gregory has undertaken to use its reasonable endeavours to procure placees to subscribe for or purchase (as appropriate) Placing Shares at the Placing Price or to the extent that such subscribers or purchasers are not so procured, to subscribe for or purchase such shares at such price itself. The Directors and the Company have given certain representations and warranties and the Company has given certain indemnities, *inter alia*, as to the accuracy of the information contained in this document and other matters in relation to the Company and its business. The agreement is, *inter alia*, conditional upon the passing of the Resolutions, the New Ordinary Shares being admitted to trading on AIM and certain events of *force majeure* not occurring prior to Admission. Pursuant to the Placing Agreement the Founders agree not to dispose of any interest in their Ordinary Shares held at the time of Admission at any time prior to the second anniversary of Admission save in respect of certain specified circumstances including, but not limited to, by way of an acceptance of a general offer for the issued share capital of the Company or with the consent of the Company and Evolution Beeson Gregory or on the death of a Founder. Under the Placing Agreement the Company will pay Evolution Beeson Gregory a commission equal to 3 per cent. of the Placing Price multiplied by the number of New Ordinary Shares placed and may, at its discretion, pay Evolution Beeson Gregory a corporate finance fee of up to £75,000. The Founders shall pay Evolution Beeson Gregory a commission equal to 3 per cent. of the Placing Price multiplied by the number of Founder Shares placed. The Company also agrees to indemnify Evolution Beeson Gregory against all legal and out of pocket costs and expenses in connection with the Placing save that the Founders will be responsible for certain stamp duty costs in connection with the sale of the Founder Shares.

8. Litigation

No member of the Group is, or has been, engaged in any legal or arbitration proceedings which may have, or have had in the 12 months prior to the date of this document, a significant effect on the financial position of the Group, nor, so far as the Company is aware, are any such proceedings pending or threatened.

9. United Kingdom Taxation

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, and who will hold Placing Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Placing Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the United Kingdom, should consult his own professional adviser immediately.

9.1 *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue and/or acquisition of Placing Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Placing Shares allotted or transferred to him, the Placing Shares so allotted or transferred will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment or transfer. The amount paid for the Placing Shares will be the base cost of a Shareholder's holding. If a Shareholder disposes of all or some of his Placing Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise. However, the amount paid for the Placing Shares subscribed for may be eligible for taper relief allowance if the investor is an individual or trustee and for indexation allowance if the investor is a company.

9.2 *Inheritance Tax – Business Property Relief*

Unquoted ordinary shares representing interests in qualifying trading companies such as the Company potentially qualify for business property relief which may give up to 100 per cent. exemption from inheritance tax. Therefore, where an investor makes a lifetime gift of shares or dies while still the owner of the shares, then no inheritance tax may be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

9.3 *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the New Ordinary Shares by the Company pursuant to the Placing.

Transfers on sale of shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. on the value of the consideration payable by the purchaser and rounded up to the nearest £5. An unconditional agreement to transfer such shares will also be subject to SDRT, (payable by the purchaser and generally at the same rate as stamp duty). However, if within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid. The Founders have undertaken in the Placing Agreement to bear any stamp duty or SDRT liability payable by the placees on the transfer to them of Founder Shares at the rate of 0.5 per cent. on the value of consideration payable by such placees and rounded up to the nearest £5.

9.4 *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit. Individual Shareholders resident in the United Kingdom receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax have no further liability to income tax in respect of such a dividend. Higher rate (currently 40 per cent.) taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit (which is equal to 25 per cent. of the cash dividend). Individual Shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividend.

A UK resident corporate Shareholder (other than dealers and certain insurance companies) should not usually be liable to corporation tax or income tax in respect of dividends received from the Company and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

Trustees of UK resident discretionary trusts who are liable to account for income tax at the rate applicable to trusts on the trust's income are required to account for tax at the Schedule F trust rate, currently 25 per cent. on dividends.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Placing Shares will be held as an investment and not as an asset of a financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

10. Working Capital

Having made due and careful enquiry and after having taken into account the proceeds of the placing of the New Ordinary Shares and the facilities available to the Group, the Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for the period of 12 months from the date of Admission.

11. General

- 11.1 The accounting reference date of the Company is 30 June.
- 11.2 The estimated amount of the expenses of the placing of the New Ordinary Shares, which are all payable by the Company (including professional fees, printing costs and commissions) are estimated to be £560,000 (excluding VAT).
- 11.3 The net proceeds of the placing of the New Ordinary Shares are estimated at approximately £5.44 million for the Company.
- 11.4 Of the Placing Price, 1.25p represents the nominal value of each Ordinary Share and 328.75p represents a premium.
- 11.5 Evolution Beeson Gregory has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which they appear.
- 11.6 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 11.7 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 30 June 2002 the date to which the preliminary announcement of the results for the year ended 30 June 2002 contained in Part II of this document were made up.
- 11.8 The Existing Shares and the New Ordinary Shares will be in registered form and will be in uncertificated form in CREST. Definitive share certificates are not expected to be despatched to those placees who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system member" (as defined in The Uncertificated Securities Regulations 2001) in relation to CREST. For those placees who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such applicants by post at their own risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.

12. Availability of Circular

Copies of this document will be available free of charge to the public at the offices of Taylor Wessing, 50 Victoria Embankment, London EC4Y 0DX, from the date of this document until at least the end of the period one calendar month after Admission.

Date: 11 September 2002

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Taylor Wessing, 50 Victoria Embankment, London EC4Y 0DX at 11 a.m. on 7 October 2002 for the following purposes:

To consider and, if thought fit, pass the following resolutions of which number 1 will be proposed as an ordinary resolution and number 2 will be proposed as a special resolution:

1. THAT in substitution for any existing authorities:
 - (a) in accordance with Section 80 of the Companies Act 1985 (“the Act”), the directors be generally and are hereby unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the following restrictions and provisions, namely:
 - (i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 7 January 2004; and
 - (ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £22,728; and
 - (b) for the purpose of sub-paragraph (a) above:
 - (i) the said power shall allow and enable the directors to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and
 - (ii) words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meaning herein.
2. THAT in substitution for any existing authorities:
 - (a) conditionally upon the passing of resolution 1 above and in accordance with Section 95 of the Act, the directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 1 above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that:
 - (i) the power hereby granted shall be limited to:
 - (A) to the grant of options to subscribe for shares in the Company under the terms of any share option scheme adopted or operated by the Company;
 - (B) to the allotment of equity securities in connection with the Placing and the terms of the Placing Agreement described in the circular to shareholders issued by the Company and dated 11 September 2002; and
 - (C) to the allotment of equity securities, otherwise than pursuant to sub-paragraphs (A) and (B) above, up to an aggregate nominal amount of £12,870;
 - (ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 7 January 2004;
 - (b) (i) the said power shall allow and enable the directors to make an offer or agreement before the expiry of the said power which would or might require equity securities to be allotted pursuant to such offer or agreement as if the power conferred herein had not expired; and
 - (ii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings herein.

Registered Office:
30 Lancaster Road
New Barnet
Hertfordshire
EN4 8AP

By Order of the Board
Hugh Bevan
Secretary

11 September 2002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, completed forms must be received at the office of the Company's registrars, Capita IRG plc of Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending and voting in person.
3. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the Company as at the close of business on 5 October 2002 shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

