



Aero Inventory plc
interim report and accounts 2008-09



Highlights

Revenues

\$256.1m
up 55%

Interim dividend

6.0p
level maintained

Pre-tax profit

\$33.1m
up 46%

Fully diluted EPS

46.9c
up 47%

- Revenue of US\$256.1 million, an increase of 55 per cent over the corresponding period (2007: US\$165.1 million), reflecting in particular a full six-month contribution from our contract with Aveos (formerly ACTS).
- Pre-tax profits of US\$33.1 million, an increase of 46 per cent over the corresponding period (2007: US\$22.7 million).
- Fully diluted EPS of 46.9 cents per share, an increase of 47 per cent over the corresponding period (2007: 31.9 cents per share). Translated into Sterling at the current exchange rate the diluted earnings per share amounted to approximately 34 pence per share.
- Interim dividend maintained at last year's level of 6.0 pence per share.
- Decision taken to withdraw from contract negotiations with the major airline referred to in our 10 February announcement as satisfactory commercial terms could not be agreed.
- In the absence of this major piece of new business, the Board has determined to focus in the near term on cash generation and improved operational efficiency.

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Chairman's statement

Strategy

Aero Inventory's long-term strategy is to continue to grow the business rapidly and profitably by securing long-term sole supplier contracts with airlines and maintenance, repair and overhaul companies (MROs). The market is large, and the trend towards outsourcing strong. The potential for further growth is therefore significant. However, following the termination of contract negotiations with a major airline, the Board has decided that in the near term the Company's focus will be on cash generation and improved operational efficiency. Substantial new contracts have long gestation periods. While we may add some smaller pieces of business which complement our existing contracts we intend to view this period, at a time when investors are wary of gearing and focused upon cash, as an opportunity to demonstrate the ability of the business to generate cash and increase its stock efficiency, having already proven its ability over a number of years to achieve rapid growth in sales and profits.

Results and dividend

The results for the first half were in line with management expectations, reflecting in particular a full six-month contribution from our contract with Aveos (formerly ACTS) in Canada. Turnover was up 55 per cent and pre-tax profits were up by 46 per cent. In the light of this result and given the satisfactory outlook for profits the Board is recommending an unchanged interim dividend of 6.0 pence per share. The interim dividend will be paid on 19 June 2009 to shareholders on the share register on 22 May 2009.

Nigel McCorkell

Chairman

16 March 2009

We intend to view this period as an opportunity to demonstrate the ability of the business to generate cash and increase its stock efficiency.

Chief Executive's statement

Review of results

The first half of the current financial year included a full six months contribution from our contract with Aveos (formerly ACTS) and, largely reflecting this, our revenues have grown by 55 per cent to \$256.1 million and profits before tax by 46 per cent to \$33.1 million.

Gross margins in the period amounted to 34 per cent compared to 36.8 per cent in the comparative period and the operating margin remained at approximately 18 per cent as operating expenses only increased 31 per cent compared to the 55 per cent increase in revenue.

Finance costs increased to US\$14.9 million (2007: US\$8.1 million). The increase reflects the increased level in borrowings to finance the Aveos and ANA contracts and some additional investment in stock to support other existing contracts.

The pre-tax profit for the six months was US\$33.1 million (2007: US\$22.7 million). The tax charge was US\$10.4 million (2007: US\$6.5 million), which reflects an estimated effective annual rate of 31 per cent compared to a tax rate of 29 per cent in the last financial year.

On the basis of after tax earnings of US\$22.7 million (2007: US\$16.2 million) and the weighted average number of shares in issue during the period of 47,626,909 (2007: 47,360,921), basic earnings per share were 47.6 cents per share (2007: 34.1 cents per share). Diluted earnings per share were 46.9 cents per share (2007: 31.9 cents per share).

Translated into Sterling at the current exchange rate the diluted earnings per share amounted to approximately 34 pence per share.

The period-end balance sheet shows increased stocks at US\$751.9 million (compared to US\$690.1 million at 30 June 2008). The increase from 30 June 2008 includes additional investment made in stock to support our ANA and Aveos contracts but excludes the stocks sold in February to Air Canada. If this transaction had been included the stock value would have been similar to that reported at the end of the last financial year.

+55% **+46%**

Turnover

Pre-tax profits

Chief Executive's statement *continued*

Net bank debt at 31 December 2008 was US\$467.1 million (compared to US\$392.2 million at 30 June 2008). The movement since 30 June 2008 again principally reflects stock investment to support our newer contracts. Since 31 December 2008 we have made progress in reducing stock levels with a sale of stock to Air Canada referred to above. The Company has a committed US\$500 million facility in place which does not expire until February 2013.

Operational improvements

We continue to focus on all operational aspects of our business and recently a series of changes has been made to our planning and purchasing activities to try to ensure that inventory meets as closely as possible the requirements of our customers. Total purchases in March 2009 are anticipated to amount to less than US\$20 million compared with over US\$40 million one year earlier as contracts mature and we start to reap the rewards of tighter planning and greater stock fungibility. More stocks are being transferred between sites and the total value of these transfers completed in the period amounted to over US\$50 million.

SRT Ireland

It was announced on 12 February 2009 that SR Technics plans to close its operations in Dublin. Aero Inventory's business in Dublin accounted for less than 5 per cent of turnover in the six months to 31 December 2008 and therefore this closure will not have a material effect on Aero Inventory's results particularly as some of the work previously performed in Dublin is likely to be transferred to Zurich or Stansted, where the Company continues to support SR Technics as previously. The stock held in Dublin will be transferred to other sites. No stock or debtor write-downs are anticipated.

Aero Inventory's two other contracts with SR Technics in Zurich and at Stansted were due to be renewed in August 2009 but have now been extended by a further three months to November 2009.

Air Canada

On 10 February 2009 Aero Inventory announced that it had completed the sale of a significant quantity of consumable aircraft parts to Air Canada, the principal customer of Aveos. The consideration received by

This sale of material represents a significant step towards achieving the Company's twin objectives of improving stock turn and releasing cash from inventory.

Aero Inventory for this material is in the form of Bills of Exchange with a face value of approximately US\$100 million, maturing in early February 2010. Aero Inventory had intended to discount the bills for cash to raise part of the funds necessary to finance its prospective substantial new contract. In light of the decision to terminate the contract negotiations referred to earlier the Company is now considering whether to hold some or all of the bills until maturity. This sale of material which will largely not need to be restocked represents a significant step towards achieving the Company's twin objectives of improving stock turn and releasing cash from inventory. The stock sold represents in part materials that would have been purchased by Air Canada from our customer Aveos and therefore the sale will have the effect of reducing ongoing sales levels to Aveos in the short term.

Share placing

At the same time as the sale of stocks to Air Canada the Company announced that it had raised £11.9 million before expenses, through an institutional placing of 4,762,680 new shares at a price of 250 pence per share.

Current trading and prospects

Against the background of a strong first half, it is disappointing to announce that the Board has decided to withdraw from negotiations for a substantial new contract (referred to in our 10 February announcement) as satisfactory commercial terms could not be agreed. Given the long gestation periods of substantial new contracts, the near term focus for the business has now turned to cash generation and improved operational efficiency. Our existing business continues to trade broadly in line with management expectations, although, as we have said on previous occasions, it would be unrealistic to expect it to be unaffected by the deterioration in the global aviation market. While some additional costs have been put in place in preparation for the major new contract, the outcome for the year is still anticipated to be satisfactory.

Rupert Lewin
Chief Executive
16 March 2009

Consolidated income statement

for the half year ended 31 December 2008

	Notes	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions Restated*	Year ended 30 June 2008 \$'millions Restated*
Revenue	4	256.1	165.1	440.0
Cost of sales		(168.7)	(104.3)	(270.1)
Net operating expenses		(39.4)	(30.0)	(76.6)
Operating profit		48.0	30.8	93.3
Finance costs		(14.9)	(8.1)	(20.2)
Profit before tax		33.1	22.7	73.1
Tax	5	(10.4)	(6.5)	(21.5)
Profit for the year		22.7	16.2	51.6
Earnings per share (expressed in cents per share)				
Basic	7	47.6c	34.1c	108.7c
Diluted	7	46.9c	31.9c	102.0c

All amounts are derived from continuing operations.

* For the six months to 31 December 2007 US\$1.7 million of carriage was reclassified from net operating expenses to cost of sales. For the year to 30 June 2008 US\$8.1 million of carriage was reclassified from net operating expenses to cost of sales

Consolidated statement of recognised income and expense

for the half year ended 31 December 2008

		6 months ended 31 December 2008	6 months ended 31 December 2007	Year ended 30 June 2008
	Notes	\$'millions	\$'millions	\$'millions
Taxation on share based payments		(1.1)	–	1.4
Effect of translation of foreign operations		3.3	–	–
Net income recognised directly in equity	10	2.2	–	1.4
Profit for the period		22.7	16.2	51.6
Total recognised income for the year		24.9	16.2	53.0

Consolidated balance sheet

for the half year ended 31 December 2008

	6 months ended 31 December 2008	6 months ended 31 December 2007	Year ended 30 June 2008
Notes	\$'millions	\$'millions	\$'millions
Non-current assets			
Intangible assets	48.1	56.9	52.8
Property, plant and equipment	4.0	3.8	3.9
	52.1	60.7	56.7
Current assets			
Inventories	751.9	569.4	690.1
Trade and other receivables	129.5	64.2	96.8
Deferred taxation	1.6	0.5	2.8
Cash and cash equivalents	8 0.9	0.4	1.2
	883.9	634.5	790.9
Total assets	936.0	695.2	847.6
Current liabilities			
Trade and other payables	128.9	106.3	141.9
Corporation tax payable	28.9	23.1	19.3
	157.8	129.4	161.2
Non-current liabilities			
Borrowings	8 467.1	304.7	392.2
Total liabilities	624.9	434.1	553.4
Net assets	311.1	261.1	294.2
Equity			
Share capital	10 1.0	1.0	1.0
Share premium account	10 212.1	211.1	212.1
Share based payment reserve	10 4.0	2.8	3.3
Retained earnings	10 94.0	46.2	77.8
Total equity	10 311.1	261.1	294.2

The accounts were approved by the Board on 16 March 2009.

By order of the Board

Rupert Lewin
Chief Executive
16 March 2009

Hugh Bevan
Finance Director
16 March 2009

Consolidated cash flow statement

for the half year ended 31 December 2008

	6 months ended 31 December 2008	6 months ended 31 December 2007	Year ended 30 June 2008
Notes	\$'millions	\$'millions	\$'millions
Operating activities			
Profit for the period	22.7	16.2	51.6
Adjustments to reconcile profit for the period to net cash outflow from operating activities:			
Net finance costs	14.9	8.1	18.3
Income tax expense	10.4	6.5	21.5
Depreciation of property, plant and equipment	0.7	0.6	1.9
Amortisation of intangible assets	6.2	4.8	10.2
Net foreign exchange movement	0.9	–	–
Cost of share based payments	0.7	0.6	1.3
Increase in inventories	(61.8)	(179.1)	(300.5)
Increase in trade and other receivables	(31.2)	(11.3)	(45.5)
(Decrease)/increase in trade and other payables	(13.0)	10.0	36.5
Increase in provisions	–	0.6	1.3
Cash absorbed by operations	(49.5)	(143.0)	(203.4)
Income taxes paid	(0.7)	(3.1)	(20.0)
Net cash out flows from operating activities	(50.2)	(146.1)	(223.4)
Investing activities			
Purchase of property, plant and equipment	(1.0)	(1.3)	(3.3)
Purchase of intangible assets	(1.5)	(25.1)	(25.8)
Net cash flows used in investing activities	(2.5)	(26.4)	(29.1)
Financing activities			
Net interest paid	(13.9)	(8.2)	(14.0)
Proceeds on issue of ordinary shares – net of expenses	–	0.8	1.8
Dividends paid	(8.7)	(10.5)	(15.7)
Repayment of borrowings	–	(113.3)	(111.0)
New bank loans raised	74.2	308.6	410.9
Loan costs	0.8	(4.9)	(18.7)
Net cash flows from financing activities	52.4	172.5	253.3
Net (decrease)/increase in cash and cash equivalents	(0.3)	0.0	0.8
Cash and cash equivalents at beginning of year	1.2	0.4	0.4
Cash and cash equivalents at end of year	0.9	0.4	1.2

Notes to the condensed financial statements

for the half year ended 31 December 2008

1. Accounting presentation and policies

The financial information for the half year ended 31 December 2008 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Statutory accounts for the years ended 30 June 2008 and 2007 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of an emphasis without qualifying their report and did not contain statements under section 237(2) or (3) the Companies Act 1985.

This financial information is prepared in accordance with the measurement criteria included in International Financial Reporting Standards ('IFRSs') as adopted for use in the EU, as set out in the Company's 2008 Annual Report, and in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

In light of recent Financial Reporting Guidance we are making the following enhanced going concern disclosures. As highlighted in note 6 to this financial information, the Group has met its day to day working capital requirements, and the anticipated requirements over a two to three year period, through an asset based lending facility supplemented by equity issues where appropriate. This facility, which is due for renewal in February 2013, may be drawn in advances, which may be of 1, 3, 6, 9 or 12 months duration. The current economic conditions create uncertainty particularly over the level of demand for the Group's products. The Group's forecasts and projections, taking account of reasonably likely contract revenues and stock sales, show that the Group is able to operate within the level of its current facility. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial information for the half year ended 31 December 2008.

2. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are those described under the headings below in the 'Review of Business' section of the Directors' Report of the Annual Report 2008.

- Operating risks
- External risks
- Financial risks
- Credit risk
- Cash flow risk
- Liquidity risk
- Exchange rate risk

3. Directors' responsibility statement

The Board of Directors approved this document on 16 March 2009.

The directors confirm that to the best of their knowledge this unaudited condensed financial information, which has been prepared in accordance with IFRSs, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation as a whole and that the interim management report includes a fair review of the information herein.

The directors of Aero Inventory plc are as listed in the Company's 2008 Annual Report and have not changed since that date.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

4. Business segments

All revenue arose from the activity of procurement and inventory management for the aerospace industry.

An analysis of revenue by type of sale is as follows:

	6 months ended 31 December 2008	6 months ended 31 December 2007	Year ended 30 June 2008
	\$'millions	\$'millions	\$'millions
Sales to contracted customers under long term supply agreements	253.6	161.3	434.3
Other sales	2.5	3.8	5.7
	256.1	165.1	440.0

Geographical analysis is presented below:

Revenue

UK, rest of Europe and Middle East	33.7	41.6	78.1
America	93.2	24.6	143.4
Asia Pacific	129.2	98.9	218.5
	256.1	165.1	440.0

Assets

UK, rest of Europe and Middle East	208.3	178.5	258.6
America	245.4	172.5	231.4
Asia Pacific	482.3	349.1	357.6
	936.0	700.1	847.6

Liabilities

UK, rest of Europe and Middle East	534.8	356.2	480.4
America	24.7	59.2	23.2
Asia Pacific	65.4	23.6	49.8
	624.9	439.0	553.4

5. Taxation

(a) Tax on profit on ordinary activities

	6 months ended 31 December 2008	6 months ended 31 December 2007	Year ended 30 June 2008
	\$'millions	\$'millions	\$'millions
Current year taxation:			
UK Corporation Tax	10.3	6.9	22.8
Adjustment in respect of prior year	–	–	(0.2)
Foreign taxation	–	–	0.2
	10.3	6.9	22.8
Deferred tax:			
Origination and reversal of temporary differences	0.1	(0.4)	(1.3)
Total deferred tax	0.1	(0.4)	(1.3)
Tax charge in the income statement	10.4	6.5	21.5

Notes to the condensed financial statements continued

for the half year ended 31 December 2008

5. Taxation continued

(b) Reconciliation of the total tax charge

The tax assessed for the year is higher (2007: lower) than the standard rate of UK corporation tax of 28 per cent (2007: 30 per cent). The differences are explained below:

	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions	Year ended 30 June 2008 \$'millions
Profit before tax	33.0	22.7	73.1
Profit on ordinary items activities multiplied by standard rate of Corporation Tax in the UK of 28 per cent (2007: 30 per cent)	9.3	6.8	21.6
Tax effects of:			
Expenses not deductible for tax purposes	0.1	(0.3)	0.1
Share based payments	1.0	–	(0.2)
Total tax expense	10.4	6.5	21.5

The UK corporation tax rate decreased from 30 per cent to 28 per cent from 1 April 2008 resulting in an average standard rate of 29.5 per cent for the year ending 30 June 2008.

6. Dividends

	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 June 2008 of 12 pence per share, equivalent to 18.36 cents per share (2007: 10.5 pence, equivalent to 20.3 cents per share)	8.7	10.1
	8.7	10.1

The Board has recommended an interim dividend of 6.0 pence per share (equivalent to 8.2 cents per share) (2007: 6.0 pence, equivalent to 11.27 cents per share).

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions
Earnings for the purposes of basic and diluted earnings per share	22.7	16.1

Number of shares

	2008 Number	2007 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	47,626,909	47,360,921
Effect of dilutive potential ordinary shares:		
Share options	682,907	3,314,865
Weighted average number of ordinary shares for the purposes of diluted earnings per share	48,309,817	50,675,786

	2008 Cents	2007 Cents
Basic earnings per share	47.6	34.1
Effect of dilutive potential ordinary shares	(0.7)	(2.2)
Diluted earnings per share	46.9	31.9

8. Borrowings and net debt

	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions	Year ended 30 June 2008 \$'millions
Cash			
Bank	0.9	0.4	1.2
Borrowings			
Bank loans	485.1	309.6	410.9
Loan costs	(18.0)	(4.9)	(18.7)
	467.1	304.7	392.2
Net debt	466.2	304.3	391.0

In February 2008 a five year syndicated asset based lending facility was signed and increased the size of the available banking facility from US\$356 million to US\$425 million. The facility was further increased on 23 June 2008 to US\$500 million. The syndicated facility is led by Lloyds TSB Commercial Finance and is secured on Aero Inventory's stock and trade debtors in the UK, Switzerland, Ireland, Canada, the United States, Hong Kong, Australia and Japan.

At 31 December 2008, the Group had available US\$14.9 million (30 June 2008: US\$89.1 million) of undrawn committed borrowing facilities.

The bank loan is secured by a fixed and floating charge which is secured by the trade receivables and inventory of the Group. The book value of financial liabilities approximates their fair value.

	6 months ended 31 December 2008 \$'millions	6 months ended 31 December 2007 \$'millions	Year ended 30 June 2008 \$'millions
The borrowings are repayable as follows:			
On demand or within one year	–	–	–
In the second year	–	–	–
In the third to fifth years inclusive	485.1	309.6	410.9
	485.1	309.6	410.9
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	–	–
Amounts due for settlement after 12 months.	485.1	309.6	410.9

The interest rate charged on the facility is US Libor + 3 per cent. The average interest rate charged in the period was 5.78 per cent.

9. Share-based payment

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions (share options), whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The fair value of the employee services rendered is determined by reference to the fair value of the options granted.

All share options are valued using an appropriate option-pricing model such as Black-Scholes. This fair value is charged to the profit and loss account over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in the profit and loss account over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustment made in equity.

The Group has recognised a total expense of US\$0.7 million relating to equity settled share option scheme transactions in the period (period to 31 December 2007: US\$0.6 million).

Notes to the condensed financial statements continued

for the half year ended 31 December 2008

10. Reserves

	Share premium account \$'millions	Share based payment reserve \$'millions	Retained earnings \$'millions	Total \$'millions
At 1 July 2007	210.3	2.0	40.5	252.8
Profit for the financial period	–	–	51.6	51.6
Dividends paid	–	–	(15.7)	(15.7)
Share based payments	–	1.3	–	1.3
Shares issued	1.8	–	–	1.8
Taxation on share based payments	–	–	1.4	1.4
At 30 June 2008 and 1 July 2008	212.1	3.3	77.8	293.2
Profit for the financial period	–	–	22.7	22.7
Dividends paid	–	–	(8.7)	(8.7)
Share based payments	–	0.7	–	0.7
Foreign currency translation reserve	–	–	3.3	3.3
Taxation on share based payments	–	–	(1.1)	(1.1)
At 31 December 2008	212.1	4.0	94.0	310.1

11. Subsequent events

As mentioned in the Chief Executive's statement, the Company has in February completed the sale of a significant quantity of consumable aircraft parts to Air Canada. The consideration received by the Company for this material is in the form of Bills of Exchange with a face value of approximately US\$100 million, maturing in just less than one year from the date of issue.

The Company had also completed the placing of 4,762,680 ordinary shares with certain existing shareholders at a price of £2.50 (US\$3.63) per share, raising additional capital of £11.9 million (US\$17.3 million). The shares placed represents approximately 10 per cent of the Company's existing issued share capital and approximately 9.1 per cent of the Company's issued share capital following the placing.

12. Availability of information

Copies of this announcement are available from the Company Secretary at 30 Lancaster Road, New Barnet, Hertfordshire, EN4 8AP.

Independent review report to Aero Inventory plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognized income and expense, the consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditors

Reading, United Kingdom

16 March 2009

Company information

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Regency is produced in an area of exceptional natural beauty, heavily protected by environmental legislation. It is therefore important for the mill to monitor all its environmental processes to match that of the local environment as well as national legislation. Cartiere del Garda is ISO 14001 certified and only uses celluloses with an ECF bleaching process.

Our printers hold the Forest Stewardship Council (FSC) Chain of Custody accreditation, a certification demonstrating their ability to trace paper sourced from sustainable managed forests, through to the final product. This accreditation allows our printer to display the FSC logo on all work produced by them using FSC papers.

They are accredited with the internationally recognised ISO 14001 Environmental standard demonstrating their commitment to the continual monitoring and improvement to all Company related issues affecting the environment.

Aero Inventory

Aero Inventory is listed on the Alternative Investment Market of the London Stock Exchange with operations in the United Kingdom, Australia, Bahrain, Canada, China, Hong Kong, Indonesia, Japan, Switzerland and the United States of America.

We are a service provider to companies in the aerospace industry, providing a comprehensive procurement and inventory management service.

We focus on the hundreds of thousands of consumable and expendable parts required in the maintenance of commercial aircraft and our e-based systems are complemented by on-site representation and 24-hour customer support. We aim to grow the business by securing contracts with additional customers who can benefit operationally and financially from our services, including airlines and aerospace maintenance and repair companies.

Aero Inventory's ultimate goal is to become the world's leading aircraft consumable parts service provider.
