

**INTERIM RESULTS
FOR THE SIX MONTH PERIOD
ENDED 31 DECEMBER 2006**

Aero Inventory plc (“Aero Inventory” or “the Group”), the leading provider of e-based procurement and inventory management solutions to the aerospace industry, today announces its results for the six months ended 31 December 2006.

HIGHLIGHTS OF THE SIX MONTHS

- Turnover of £45.5 million, an increase of 86% over the corresponding period (2005: £24.5 million), with turnover in the second three months of the period up 250% over the corresponding quarter last year
- Pre-tax profits of £7.8 million, an increase of 207% over the corresponding period (2005: £2.6 million after restating for the effect of FRS20)
- Diluted EPS of 11.0p, an increase of 38% over the corresponding period (2005: 8.0p, as adjusted for last year’s rights issue and restated for the effect of FRS20)
- Interim dividend of 4.5p, an increase of 36% over the corresponding period (2005: 3.3p)

“Aero Inventory has a unique business model which is proving increasingly successful as demonstrated by our long term contracts with a number of major players involved in aircraft repair and maintenance. We are now very well positioned to achieve further substantial growth in the second half of the year which will include a full six months’ contribution from the new Qantas contract and will reflect further growth throughout the Asia Pacific region.”

Rupert Lewin, Chief Executive

For further information, please contact:

Aero Inventory plc Rupert Lewin, Chief Executive	+44 (0)20 8688 5812 rupert.lewin@aero-inventory.com
Buchanan Communications Limited Bobby Morse, Director Ben Wiley, Associate Director	+44 (0)20 7466 5000 bobbym@buchanan.uk.com
JPMorgan Cazenove Nick Garrett, Managing Director	+44 (0)20 7588 2828

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

CHAIRMAN'S STATEMENT

We have made excellent progress in the year to date largely driven by the start of our contract with Qantas in October. Turnover in the first six months of the year was up 86% and pre-tax profit up 207% over the corresponding period last year. Turnover in the second three months of the period was up 250% over the same quarter of last year.

We are now concentrating on the detailed implementation of the Qantas contract. In addition our business with HAECO has grown significantly and is expected to remain buoyant following the opening of HAECO's second hangar at Chep Lap Kok Airport in Hong Kong. Our contracts with SR Technics in Switzerland, the UK, and Ireland have performed in line with our expectations and we continue to develop our business with GMF AeroAsia in Jakarta.

Last year the Board decided to pay an unchanged interim dividend of 3.3p per share on the much-increased number of shares ranking for dividend following our rights issue and placing. This year, in view of our improved results and the prospects for the full year, the Board has decided to pay an interim dividend of 4.5p per share, a 36% increase.

On 8 January 2007, Aero Inventory announced the appointments of Roger Davis and Martin Webster to the Board. Roger, who has joined the Board as a non-executive director, was until December 2005 the Chief Executive of UK Banking at Barclays and a director of Barclays PLC. Since June 2004 Martin Webster has been the Group's Personnel Director and Company Secretary in which roles he has made a major contribution to the business. We welcome both of them to the Board.

In view of our existing contracts and new business prospects we believe we are now better placed than ever to deliver continuing growth through the exploitation of our position as the leading service provider in our market.

Nigel McCorkell
Non-executive Chairman

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

CHIEF EXECUTIVE'S STATEMENT

REVIEW OF RESULTS

The commencement of the Qantas contract in October 2006 has had a significant impact on the results for the first half of our financial year with turnover for the six month period ended 31 December 2006 up by 86% over the corresponding period at £45.5 million. The Qantas contract is meeting our expectations and revenues from this contract will be further boosted in the second half by the re-commencement of heavy maintenance activities which were suspended in May 2006 to facilitate their transfer from Sydney to Avalon, near Melbourne.

In addition to the initial contribution from the Qantas contract there has also been growth from HAECO reflecting the opening of a second hangar in Hong Kong and further new business with TAECO in China. Revenues from our contracts with SR Technics have been similar to those of the corresponding period last year and we are continuing to develop our business with GMF AeroAsia in Indonesia.

Operating profits increased from £3.5 million to £8.7 million, an increase of 149%. The operating margin also increased from 14.5% to 19.2%.

The average US dollar/sterling exchange rate during the period was 1.91 (2005: 1.77) and the rate used for translating period end financial assets and liabilities was 1.96 (2005:1.72). Substantially all our revenues are invoiced in US dollars and in excess of 70% of our costs are incurred in US dollars.

The pre-tax profit for the six months was £7.8 million (2005: £2.6 million). The tax charge was £2.4 million (2005: £0.8 million), which reflects an estimated effective annual rate of 31.0% (2005: 32.0%).

On the basis of after tax earnings of £5.4 million (2005: £1.7 million) and the weighted average number of shares in issue during the period of 47,188,999 (2005: 21,480,338), basic earnings per share were 11.5p (2005: 8.1p per share, after adjusting for the rights issue and the effect of FRS 20) and diluted earnings per share were 11.0p (2005: 8.0p per share after adjusting for the rights issue and the effect of FRS 20).

The intangible assets on our balance sheet reflect the purchase of certain historical demand and usage data from Qantas which is to be written off over the initial ten year contract term. Tangible fixed assets have also increased significantly reflecting further development of our Parts Central IT system.

The period end balance sheet shows increased stocks of £178.9 million compared to £103.8 million at 30 June 2006. The increase largely reflects the initial stock purchase from Qantas and some further investment in stock in support of the contract. Our stock turn has improved and annualising the second quarter turnover shows an improvement to 0.76 times per annum compared with 0.61 times for the last financial year.

Net bank debt at 31 December 2006 was £42.5 million (compared to £36.4 million net cash at 30 June 2006). The movement since 30 June 2006 principally reflects the purchase from Qantas of stocks and database rights. In the first half, in anticipation of the Qantas contract, we also put in place an enlarged bank facility of £80 million, led by Barclays PLC, subsequently increased to £85 million on syndication.

DIVIDEND

In view of the strong performance of the business and the prospects for the full year the Board intends to pay an increased interim dividend of 4.5p per share (2005: 3.3p). This dividend will be paid on 31 May 2007 to shareholders on the share register on 27 April 2007.

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

OVERSEAS FACILITIES

We have expanded our office in Hong Kong to handle the increase in business with HAECO and TAECO. An Australian facility is being set up to support the Qantas contract and we anticipate having about forty employees based in Australia once the contract is fully implemented. We shall also be setting up a facility in Los Angeles in the second half of the financial year. This operation will source stocks from US suppliers and will aid the logistics of the business through the consolidation of shipments.

CURRENT TRADING

Aero Inventory has a unique business model which is proving increasingly successful as demonstrated by our long term contracts with a number of major players involved in aircraft repair and maintenance. We are now very well positioned to achieve further substantial growth in the second half of the year which will include a full six months' contribution from the new Qantas contract and will reflect further growth throughout the Asia Pacific region.

Rupert Lewin
Chief Executive

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	Notes	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 * Restated £'000	Audited Year ended 30 June 2006 * Restated £'000
TURNOVER	2	45,555	24,487	63,549
Operating expenses		<u>(36,808)</u>	<u>(20,945)</u>	<u>(51,743)</u>
OPERATING PROFIT		8,747	3,542	11,806
Interest receivable and similar income		56	12	607
Interest payable and similar charges		<u>(959)</u>	<u>(1,003)</u>	<u>(2,242)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,844	2,551	10,171
Tax on profit on ordinary activities	5	<u>(2,435)</u>	<u>(816)</u>	<u>(3,319)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>5,409</u>	<u>1,735</u>	<u>6,852</u>
Basic earnings per share (pence)	3	<u>11.46p</u>	<u>8.08p</u>	<u>23.09p</u>
Diluted earnings per share (pence)	3	<u>11.01p</u>	<u>7.99p</u>	<u>22.88p</u>

All amounts derive from continuing operations.

* Results for the periods ended 31 December 2005 and 30 June 2006 have been restated to reflect the impact of the adoption of FRS 20 – Share based payment (note 8).

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Unaudited 31 December 2006 £'000	Unaudited 31 December 2005 *Restated £'000	Audited 30 June 2006 *Restated £'000
INTANGIBLE ASSETS	1	13,896	-	-
TANGIBLE FIXED ASSETS		4,205	1,022	1,581
CURRENT ASSETS				
Stocks		178,935	78,175	103,794
Debtors	6	23,981	11,318	25,210
Cash at bank and at hand		196	182	36,364
		203,112	89,675	165,368
CREDITORS: amounts falling due within one year	7	(84,460)	(48,022)	(32,454)
NET CURRENT ASSETS		118,652	41,653	132,914
TOTAL ASSETS LESS CURRENT LIABILITIES		136,753	42,675	134,495
Provision for liabilities and charges		-	(2)	-
NET ASSETS		136,753	42,673	134,495
Called up share capital		589	214	589
Share premium account	9	123,503	35,604	123,492
Profit and loss account	9	12,661	6,855	10,414
EQUITY SHAREHOLDERS' FUNDS		136,753	42,673	134,495

The interim results were approved by the board of directors on 12 March 2007.

* Results for the periods ended 31 December 2005 and 30 June 2006 have been restated to reflect the impact of the adoption of FRS 20 – Share based payment (note 8).

AERO INVENTORY PLC
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 * Restated £'000	Audited Year ended 30 June 2006 * Restated £'000
Net cash outflow from operating activities	(56,731)	(6,156)	(18,476)
Returns on investments and servicing of finance			
Interest paid	(1,044)	(1,004)	(1,560)
Interest received	56	12	566
Net cash outflow from returns on investments and servicing of finance	(988)	(992)	(994)
Taxation	(31)	(300)	(2,350)
Capital expenditure and financial investments			
Payments to acquire intangible assets	(14,251)	-	-
Payments to acquire tangible fixed assets	(3,016)	(218)	(972)
Net cash outflow from capital expenditure and financial investments	(17,267)	(218)	(972)
Equity dividends paid	(3,162)	(1,148)	(2,705)
Cash outflow before financing	(78,179)	(8,814)	(25,497)
Financing			
Issue of shares – net of expenses	11	-	88,263
Repayment of secured loan	-	-	(25,010)
Repayment of unsecured loan	-	-	(893)
New bank facility	42,000	-	-
Foreign exchange loss on repayment of loan	-	-	(682)
	42,011	-	61,678
(Decrease)/increase in cash in the period	(36,168)	(8,814)	36,181

AERO INVENTORY PLC
NOTES TO THE UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 *Restated £'000	Audited Year Ended 30 June 2006 *Restated £'000
a) Reconciliation of operating profit to net cash outflow from operating activities			
Operating profit	8,747	3,542	11,806
Depreciation of tangible fixed assets	516	196	391
Amortisation of intangible assets	355	-	-
Increase in stock	(77,826)	(11,344)	(14,004)
Decrease/(increase) in debtors	1,233	(152)	(36,963)
Increase in creditors	10,244	1,602	20,294
Net cash outflow from operating activities	<u>(56,731)</u>	<u>(6,156)</u>	<u>(18,476)</u>
 b) Analysis of changes in net funds/(debt)			
	At 1 July 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank	36,364	(36,168)	196
Bank facility	-	(42,000)	(42,000)
Overdraft	36,364	(78,168)	(41,804)
	<u>-</u>	<u>(683)</u>	<u>(683)</u>
Total	<u>36,364</u>	<u>(78,851)</u>	<u>(42,487)</u>

AERO INVENTORY PLC
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Basis of preparation

These interim statements have been prepared on a consistent basis with the financial statements for the year ended 30 June 2006 except for the adoption of FRS 20 'Share-based payment'. The Group has applied the requirements of FRS 20 'Share-based payment', in accordance with the transitional provisions to all equity instruments granted after 1 November 2002 and unvested at 1 July 2006 (see note 8).

These interim statements do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. Results for the six month periods ended 31 December 2006 and 31 December 2005 have not been audited. The results for the year ended 30 June 2006 have been extracted from the statutory financial statements that have been filed with the Registrar of Companies subject to the prior year adjustment described in note 8. The auditors' report on those financial statements was unqualified.

Intangible assets – Database rights

Database rights are included at cost and amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

2. TURNOVER

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

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

	6 months ended 31 December 2006 £'000	6 months ended 31 December 2005 £'000	Audited year ended 30 June 2006 £'000
Sales to contracted customers under long term supply agreements	44,246	23,835	49,379
Other Sales	1,309	652	14,170
Group Total	45,555	24,487	63,549
Gross Profit	15,680	8,816	21,414
Common costs	(6,933)	(5,274)	(9,608)
Operating profit	8,747	3,542	11,806
Net interest	(903)	(991)	(1,635)
Profit before taxation	7,844	2,551	10,171

AERO INVENTORY PLC
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

Unaudited segmental analysis

A geographical analysis of turnover is as follows:

	Asia Pacific		UK, Europe & Middle East		Group total	
	6 months ended 31 December 2006	6 months ended 31 December 2005	6 months ended 31 December 2006	6 months ended 31 December 2005	6 months ended 31 December 2006	6 months ended 31 December 2005
£'000						
Turnover	29,053	7,289	16,502	17,198	45,555	24,487

3. EARNINGS PER SHARE

Basic and diluted earnings per share has been calculated on the group's profit attributable to shareholders of £5,409,000 (2005: £1,735,000) and on the weighted average number of shares in issue during the financial period, which for the basic earnings per share was 47,188,999 (2005: 21,480,338) and for the diluted earnings per share was 49,121,050 (2005: 21,730,069).

4. DIVIDENDS

A dividend of 4.5p per share was proposed after the balance sheet date but has not been recognised as a liability at the balance sheet date. This will be paid on 31 May 2007 to shareholders on the share register on 28 April 2007.

During the period a dividend of 6.7p per share, totalling £3,162,000 was paid in respect of the year ended 30 June 2006.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 £'000	Audited Year Ended 30 June 2006 £'000
UK Corporation Tax at 30%	2,318	816	3,248
Deferred Tax – Current Period	(93)	-	37
Adjustment in respect of prior periods	210	-	34
	2,435	816	3,319

AERO INVENTORY PLC
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

6. DEBTORS

	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 £'000	Audited Year Ended 30 June 2006 £'000
Due within one year			
Trade Debtors	22,393	9,393	18,947
Deferred taxation	29	-	122
Other debtors	416	373	-
Prepayments and accrued income	1,143	1,552	6,141
	<u>23,981</u>	<u>11,318</u>	<u>25,210</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 *Restated £'000	Audited Year Ended 30 June 2006 *Restated £'000
Bank loan	42,683	35,251	-
Other loans	-	853	-
Trade creditors	34,122	7,907	26,715
Corporation tax	4,489	1,805	1,920
Other taxation and social security	194	111	154
Other creditors	168	979	82
Accruals and deferred income	2,804	1,116	3,583
	<u>84,460</u>	<u>48,022</u>	<u>32,454</u>

AERO INVENTORY PLC
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2006

8. FRS 20 'SHARE-BASED PAYMENT'

The Company adopted FRS 20 'Share-based payment' in the period. 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 option-pricing model (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 adoption of FRS 20 has resulted in a change in accounting policy for share-based payments. A prior year adjustment has been made to the financial information set out for the period to 31 December 2005 and 30 June 2006 to apply charges to the profit and loss account for share options granted.

The Group has recognised a total expense of £187,293 relating to equity settled share option scheme transactions in the first half of 2006/07 (£143,533 in the six month period to 31 December 2005; £330,163 in the year to 30 June 2006).

9. RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss *Restated £'000	Total £'000
At 1 st July 2006	589	123,492	10,414	134,495
Profit for the financial year	-	-	5,409	5,409
Dividends paid	-	-	(3,162)	(3,162)
Share issued	-	11	-	11
At 31 December 2006	<u>589</u>	<u>123,503</u>	<u>12,661</u>	<u>136,753</u>

The comparative figures for the year ended 30 June 2006 and 31 December 2005 have been restated as a result of a change in accounting policy for share based payments as described in note 8. The effect of this change has been to decrease retained reserves by £582,000 as at 30 June 2006.

10. 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

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2006 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2006.

Deloitte & Touche LLP
Chartered Accountants
Reading, United Kingdom
12 March 2007