Aero Inventory plc

e-based procurement
& inventory management
solutions for the
aerospace industry

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For Immediate Release

10 September 2007

AERO INVENTORY PLC
PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 JUNE 2007

Aero Inventory plc ("Aero Inventory" or "the Group"), the provider of e-based procurement and inventory management solutions to the aerospace industry, today announces its results for the year ended 30 June 2007.

HIGHLIGHTS

- Turnover of £127.8 million, an increase of 101% over the previous year (2006: £63.5 million)
- Pre-tax profits of £26.8 million, an increase of 171% over the previous year (2006: £9.9 million)
- Fully diluted EPS of 38.9 pence (2006: 22.0 pence), an increase of 77% over the previous year on the capital base enlarged by the rights issue in March 2006.
- Proposed final dividend of 10.5 pence (2006: 6.7p), to give a total for the year of 15 pence (2006: 10.0p)
- Announcement today of an enlarged debt facility up from £85 million to £175 million permitting further substantial growth without recourse to the equity market

A presentation to analysts will be held at 9.30am on Monday 10 September 2007 at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE.

Commenting on the results, Rupert Lewin, Chief Executive of Aero Inventory, said:

"We have completed a year of significant growth and development which has focused on the integration of our new contract with Qantas, and we have demonstrated clearly that we have the skills required to implement large contracts so improving our competitive position. We are now focused on further expansion and are well placed to win new business particularly given our substantially increased debt facilities."

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AERO INVENTORY PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

CHAIRMAN'S STATEMENT

Results

In the seven years since June 2000, the year in which Aero Inventory's shares were listed on AIM, sales have grown at a compound annual rate of 69 per cent reflecting our success in winning a series of long-term sole-supplier contracts. In the year being reported on this growth in sales was principally driven by the contract with Qantas. This 10 year contract, which has been successfully implemented, has effectively doubled the size of our business and has further enhanced our position in the marketplace.

Dividend

Reflecting confidence in the future, the Board is recommending the payment of a final dividend of 10.5 pence per share (2006: 6.7 pence). Taken with the interim dividend of 4.5 pence (2006: 3.3 pence) per share paid in May 2007, the total dividends for the year amount to 15.0 pence (2006: 10.0 pence).

Prospects

The commercial aviation industry continues to grow globally and the trend towards outsourcing non-core activities is strengthening. We have a proven global business servicing world-class aerospace players and a number of important new business prospects. The increase in our debt facilities, from £85 million to £175 million, which we have announced today, means that we are in a very strong position to finance further substantial growth without recourse to the equity market.

Board Changes

We have strengthened our Board during the year with the appointment of a further non-executive director, Roger Davis, a former director of Barclays plc, and two executive directors, Martin Webster, who has been appointed as Resources Director, and Tim Davey, who has been appointed as IT Director. We welcome them all to the Board.

The roles of two existing Board members were changed and expanded during the year to reflect their changing contribution to our business. Paul Docker, previously Operations Director, was appointed Chief Operating Officer and Collin Trupp, formerly Australasia Director, was appointed Business Development Director. Paul has increased responsibilities for the day-to-day management of our business and Collin's appointment reflects our increasing focus on expanding our business now that we have clearly demonstrated our ability to take on and implement major contracts profitably.

We are also announcing today that Laurence Heyworth has rejoined the board as a non-executive director. Having been involved with Aero Inventory since its inception, Laurence brings to the Board an exceptional understanding of the business and the market in which it operates.

Long Term Incentive Scheme

The Board believes that it is essential to provide the right incentive to the Company's management team to maximise the growth opportunities that the Company's unique business model has created. The Board has developed initial proposals for a new Long Term Incentive Plan on which it intends shortly to consult with shareholders. Subject to the outcome of these discussions, formal consent for the Plan will be sought at an Extraordinary General Meeting later in the year.

Thanks to Staff

The successful implementation of our contract with Qantas during the financial year is a testament to the skill and professionalism of Aero Inventory's staff. Once again I would like to thank the entire team at Aero Inventory for its customer focus, professionalism, determination and enthusiasm.

Nigel McCorkell
Non-Executive Chairman
10 September 2007

CHIEF EXECUTVE'S STATEMENT

Review of Results
Turnover for the year ended 30 June 2007 increased by 101 per cent to £127.8 million (2006: £63.5 million). The largest part of the increase resulted from our new contract with Qantas but there was also a significant expansion of our business with HAECO in Hong Kong and China. Our contracts with SR Technics performed satisfactorily and we made further progress in the development of our business in Indonesia.

The results for the year reflect the adoption of FRS 20, Share-based Payments. The 2006 comparative figures shown below reflect this change.

Operating profit rose by 165 per cent to £30.5 million (2006: £11.5 million) with the main contributions arising from sales to Qantas, SR Technics and HAECO.

Net interest payable amounted to £3.8 million (2006: £1.6 million) reflecting a higher level of borrowings following the commencement of the contract with Qantas. The profit before tax was £26.8 million (2006: £9.9 million).

The average US dollar/sterling exchange rate during the year was 1.93 (2006: 1.77) and the rate used for translating year-end financial assets and liabilities was 2.01 (2006: 1.85).

After a tax charge of £8.2 million (2006: £3.3 million) - an effective rate of 30.8 per cent (2006: 33.6 per cent) - profit after tax was £18.5 million (2006: £6.6 million) and basic earnings per share were 39.3 pence (2006: 22.2 pence). Fully diluted earnings per share were 38.9 pence, (2006: 22.0 pence).

Net debt at the year-end was £55.9 million compared to net funds of £36.4 million in 2006. Although we have strong positive operational cashflow from our established contracts, we invested heavily in the year to support our new Qantas contract. In particular we purchased US$114.6 million of stocks from Qantas in October 2006 and we also paid them US$26.4 million for intellectual property, an amount which is being written off over the ten year life of the contract.

Year-end shareholders' funds amounted to £149.3 million (2006: £135.1 million). This takes into account the retained profits for the year less dividends paid.

The year-end consolidated balance sheet shows significantly increased stocks at £216.1 million (2006: £103.8 million). The principal increase in stock levels reflects the inventory purchase connected with our contract with Qantas. In addition to the initial stock purchase referred to above we also made a purchase from Qantas of further relevant stock of US$18.9 million in June 2007 to enable us to support our largest contract more effectively.

High levels of stock have to date been necessary to enable the performance expectations of our customers to be satisfied. As our business expands further, we are increasingly well placed to service new customers from our existing stocks. The improved purchasing and secondary market trading resulting from the opening of our new facility in Los Angeles should also ensure that our stock turn improves significantly. We noted at the half year that our annualised stock turn was 0.76 times per annum and, despite the distortion caused by the additional stock purchase made from Qantas in the second half of our year, the annualised rate remains at the financial year-end at 0.76 times.

Dividend
Reflecting our confidence in the future, the Board is recommending the payment of a final dividend of 10.5 pence per share. Taken with the interim dividend of 4.5 pence (2006: 3.3 pence) per share paid in May 2007, the total dividends for the year amount to 15 pence (2006: 10.0p pence). The final dividend will be paid on 13 December 2007 to shareholders on the register on 9 November 2007.

New Business Opportunities
The Qantas contract has generated considerable interest within the sector in which we operate. As maintenance and repair organisations (MROs) and airlines consider outsourcing the procurement and inventory management of consumable and expendable parts, Aero Inventory is better placed than ever to win new business. We are currently in discussions with a number of potential new customers.

Debt Facilities Available
Subsequent to the year-end we have increased the size of our revolving credit facility from £85 million to £175 million through new debt arrangements arranged by Lloyds TSB permitting us to finance the next stage of our expansion without recourse to the equity market.

Operational Review
We continued to develop our operational structure during the year in order to provide an efficient framework to support both current operations and future new business and we have expanded our global presence significantly. Strong central direction from the UK head office is underpinned by highly capable local offices which deal with customers and suppliers around the world in their own regions and time zones. This structure enables customer service and responsiveness to be optimised. It also allows strong relationships to be developed with suppliers in different regions and provides access to all relevant sources of parts whilst bringing to bear Aero Inventory's position as an increasingly important player in the aircraft parts supply chain. Good progress was made during the year in developing long-term agreements with a number of key suppliers.

In a year which saw us successfully bring the Qantas contract into full operation, we also remained strongly focused on our existing customers and it is pleasing to report that we achieved the key service levels agreed with all our major customers in every month in the year.

In more detail, the key operational developments during the year were as follows:-

Australia – Our contract with Qantas was signed in October 2006 and we then embarked on a detailed implementation programme. An office has been established in Melbourne with some 40 locally recruited staff to support the supply of parts to the four Qantas maintenance and repair locations in Australia. The Australian team also deals with the local Australian supply base. The implementation was successfully completed in July 2007. Many of the developments in operational procedures and IT systems required for Qantas are now being used to improve our service at other sites.

Europe and the Middle East – Our major contracts with SR Technics in Zurich, Stansted and Dublin all performed satisfactorily. This business is operated from our office in New Barnet in the UK, supported by local on-site account support staff.

Hong Kong and China – Business in Hong Kong and China has been very strong with sales from the area growing by more than 50 per cent in the period. From an initial small contract in 2000 we have expanded our business to cover the full range of component workshops, line maintenance and base maintenance operations. The recent expansion has been largely driven by the opening of HAECO's second hangar at Chep Lap Kok International Airport in Hong Kong and by growing business with TAECO, HAECO's subsidiary in Xiamen, China. We have enlarged our local support team in Hong Kong to over 50 staff and we also have a dedicated warehouse and distribution facility there. As well as providing the interface to customers in the region, the Hong Kong team has responsibility for procurement and purchasing from Asia Pacific based suppliers.

Indonesia - We have continued to develop our business with GMF AeroAsia in Indonesia, putting in place the necessary infrastructure to support the expansion of our operations to supply parts for GMF's hangar maintenance activities. Although it has taken longer than expected, the volume of sales is now growing satisfactorily and we have a much improved infrastructure to support expected further growth.

United States – Although Aero Inventory does not currently have contract customers in the Americas, we took the decision during the year to establish ourselves in the US which is the main source for many of the parts used by our customers. In June 2007 we opened a 30,000 square foot facility in Los Angeles. The initial team has now been recruited there to develop procurement and purchasing from US based suppliers in support of all our customer contracts. The facility will also act as a logistics consolidation point for the considerable volumes of material which we source in the US for supply to our customers. We have also positioned some materials not immediately required for current customer contracts in the facility with a view to marketing such materials to customers in the US.

Staff
During the period, Aero Inventory increased headcount from 158 in June 2006 to 268 in June 2007. In particular there has been a major recruitment exercise in Australia to support the new Qantas contract. A team has been assembled with the necessary capabilities and experience in operational management, procurement, purchasing, and inventory and demand planning. More recently we have also been recruiting for our new facility in Los Angeles where we will be basing some 12 buyers to deal day-to-day, in the same time zone, with many of our US suppliers.

Prospects
We have completed a year of significant growth and development which has focused on the successful integration of our new contract with Qantas, and we have demonstrated clearly that we have the skills required to implement large contracts so improving our competitive position. We are now focused on further expansion and are well placed to win new business particularly given our substantially increased debt facilities

Rupert Lewin
Chief Executive
10 September 2007

AERO INVENTORY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	**Year ended 30 June 2007 £'000**	*Year ended 30 June 2006 Restated £'000*
TURNOVER	2	**127,817**	*63,549*
Operating expenses		**(97,281)**	*(52,022)*
OPERATING PROFIT		**30,536**	*11,527*
Interest receivable and similar income		**410**	*607*
Interest payable and similar charges		**(4,170)**	*(2,242)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**26,776**	*9,892*
Tax on profit on ordinary activities		**(8,244)**	*(3,319)*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**18,532**	*6,573*
Basic earnings per share	4	**39.26p**	*22.15p*
Diluted earnings per share	4	**38.91p**	*21.95p*

All amounts derive from continuing operations.

Results for the year ended 30 June 2006 have been restated to reflect the adoption of FRS 20 "Share-based payments". See note 7 for details.

There are no other recognised gains or losses, accordingly no statement of total recognised gains and losses is presented.

AERO INVENTORY PLC
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	**2007**	*2006*
			Restated
		£'000	*£'000*
FIXED ASSETS			
Intangible Assets		**13,184**	-
Tangible fixed assets		**8,124**	*1,581*
CURRENT ASSETS			
Stocks		**216,098**	*103,794*
Debtors		**26,191**	*25,210*
Cash at bank and in hand		**188**	*36,364*
		242,477	*165,368*
CREDITORS: amounts falling due within one year		**(58,638)**	*(31,872)*
NET CURRENT ASSETS		**183,839**	*133,496*
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,147**	*135,077*
CREDITORS: amounts falling due after one year		**(55,861)**	-
NET ASSETS		**149,286**	*135,077*
CAPITAL AND RESERVES			
Called up share capital	5	**592**	*589*
Share premium account	5	**124,020**	*123,492*
Share based payment reserve	5	**1,043**	*609*
Profit and loss account	5	**23,631**	*10,387*
SHAREHOLDERS' FUNDS	5	**149,286**	*135,077*

The accounts were approved by the board on 10 September 2007.

AERO INVENTORY PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 £'000	2006 £'000
Net cash outflow from operating activities	6	**(61,866)**	*(18,476)*
Returns on investments and servicing of finance		**(2,940)**	*(994)*
Taxation		**(1,500)**	*(2,350)*
Capital expenditure and financial investment		**(21,612)**	*(972)*
Equity dividends paid		**(5,288)**	*(2,705)*
Cash outflow before financing		**(93,206)**	*(25,497)*
Net cash inflow from financing		**57,030**	*61,678*
(Decrease)/Increase in Cash		**(36,176)**	*36,181*

1. BASIS AND PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 237(2) or (3) Companies Act 1985.

This announcement is prepared on the basis of the accounting policies as stated in the previous year's financial statements with the exceptions of FRS 20 "Share-based payment" which was adopted during the year. See note 7 for details.

2. TURNOVER

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

Segmental analysis

Whilst the directors consider the activities of the Group to form one class of business, an analysis of turnover by type of sale is as follows:

	Sales to Contracted Customers under Long Term Supply Agreements		Other Sales		Group Total	
	2007	2006	2007	2006	2007	2006 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	**124,773**	*49,379*	**3,044**	*14,170*	**127,817**	*63,549*
Gross Profit					**46,014**	*21,414*
Common costs					**(15,478)**	*(9,887)*
Operating profit					**30,536**	*11,527*
Net interest					**(3,760)**	*(1,635)*
Profit before taxation					**26,776**	*9,892*

All overheads are considered to be common costs due to the Group mainly operating from a common centre of business, which services all types of activity.

2. TURNOVER (CONTINUED)

The Group has entered into exclusive long-term contracts with a number of customers to supply parts over a contracted period of time, typically ten years. The Group holds stocks for these contracts on a long-term basis and generally sells parts as they are consumed by customers. Such sales are classified under "Sales to contracted customers under long-term supply agreements". In addition the Group's strategy is to sell excess levels of stock where possible by means of separate sales transactions with third parties. Such sales are classified under "Other Sales".

A geographic analysis of turnover is as follows:

	Asia Pacific		**UK, rest of Europe & Middle East**		**Group Total**	
	2007	*2006*	**2007**	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*	**£'000**	*£'000*
TURNOVER	**90,430**	*28,351*	**37,387**	*35,198*	**127,817**	*63,549*

3. DIVIDENDS

	2007	*2006*
	£'000	*£'000*
Final dividend for the year ended 30 June 2006 of 6.7p (2005 6.7p) per ordinary share	**3,162**	*1,148*
Interim dividend for the year ended 30 June 2007 of 4.5p (2006: 3.3p) per ordinary share	**2,126**	*1,557*
	5,288	*2,705*
Proposed final dividend for the year ended 30 June 2007 of 10.5p (2006: 6.7p) per ordinary share	**4,972**	*3,100*

The proposed dividend is subject to approval by share holders at the Annual General Meeting and has not been included as a liability in these financial statements

4. EARNINGS PER SHARE

	Year ended 30 June 2007 £'000	*Year ended 30 June 2006 £'000 Restated*
Profit on ordinary activities after taxation	**18,532**	*6,573*
	2007 Number	*2006 Number*
Weighted average number of shares in issue	**47,205,097**	*29,672,589*
Effect of dilutive potential Ordinary shares - share options	**417,727**	*277,396*
Diluted weighted average number of shares	**47,622,824**	*29,949,985*
	2007 Pence	*2006 Pence*
Basic earnings per share	**39.26**	*22.15*
Dilutive impact of share options	**(0.35)**	*(0.20)*
Diluted earnings per share	**38.91**	*21.95*

Earnings per share for the year-ended 30 June 2006 has been adjusted for the bonus element of the rights issue.

5. RESERVES

The comparative figures in the financial statements for the year ended 30 June 2006 have been restated as a result of a change in accounting policy for share based payments as described in note 7. The effects of the change in policy are summarised below:

Group	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Profit and loss account £'000	Total £'000
At 30 June 2006 as previously stated	589	123,492	-	10,996	135,077
Prior Year adjustment – Share-based payment	-	-	609	(609)	-
1 July 2006 as restated	589	123,492	609	10,387	135,077
Profit for the financial year	-	-	-	18,532	18,532
FRS20 - Share-based payments	-	-	434	-	434
Dividends paid	-	-	-	(5,288)	(5,288)
Share issue	3	528	-	-	531
30 June 2007	592	124,020	1,043	23,631	149,286

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 Restated £'000
Operating profit	30,536	11,527
Depreciation of tangible fixed assets	816	391
Amortisation of intangible fixed assets	1,069	-
Increase in debtors	(792)	(14,004)
Increase in stocks	(112,304)	(36,963)
Increase in creditors	18,375	19,964
Share based payment charge	434	609
Net cash outflow from operating activities	(61,866)	(18,476)

7. SHARE BASED PAYMENTS

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are normally forfeited if the employee leaves the Group before the options vests.

Details of the share options outstanding during the year are as follows:

	2007 Number of share options	**2007 Weighted average exercise price (in £)**	2006 *Number of share options*	2006 *Weighted average exercise price (in £)*
Outstanding at beginning of period	**2,092,928**	**3.13**	*1,781,752*	*2.91*
Granted during the year	**1,443,554**	**3.56**	*394,406*	*4.11*
Lapsed during the year	**(99,094)**	**3.49**	*(49,540)*	*3.64*
Exercised during the year	**(168,240)**	**2.99**	*(33,690)*	*3.04*
Outstanding at the end of the year	**3,269,148**	**3.31**	*2,092,928*	*3.13*
Exercisable at the end of the year	**1,229,864**	**2.73**	*214,024*	*2.90*

The weighted average share price at the date of exercise for share options during the period was £2.99. The options outstanding at 30 June 2007 had a weighted average exercise price of £3.31, and a weighted average remaining contractual life of 2.2 years. In 2007, options were granted on 16 November 2006, 23 April 2007 and 30 April 2007. The aggregate of the estimated fair value of the options granted on those dates is £5.1m. In 2006, options were granted on 14 October 2005, 4 November 2005, 28 April 2006 and 1 May 2006. The aggregate of the estimated fair value of the options granted on those dates is £1.6m.

The inputs into the Black-Scholes option pricing model are as follows:

	2007	2006
Weighted average share price	£3.31	£3.13
Weighted average exercise price	£2.99	£3.04
Expected volatility	25%	25%
Expected life	5 years	5 years
Risk-free rate	4.6%	4.6%
Dividend yield	2.9%	2.9%

Expected volatility was determined by an estimation based on similar AIM listed companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

8. PRIOR PERIOD ADJUSTMENT

The comparative figures for the year ended 30 June 2006 have been restated as a result of a change in accounting policy for FRS 20 share-based payments as described in note 7. The restatement has reduced the profit for the year ended 30 June 2006 by £609,000. Net assets were unchanged as at 30 June 2006.

9. SUBSEQUENT EVENTS

On 7 September 2007 the Group entered into a new facility with Lloyds TSB plc to provide up to £175,000,000 by way of a revolving credit facility.