

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you sell or have sold or otherwise transferred all of your Ordinary Shares in Stilo International PLC you should deliver this document together with the enclosed Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Application will be made for the Subscription Shares to be admitted to trading on the AIM market of the London Stock Exchange plc ("AIM"). It is expected that admission to AIM will become effective and that dealings in the Subscription Shares will commence on 28 November 2006.

STILO INTERNATIONAL PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with No: 03893693)

Proposed Subscription for 7,500,000 new Ordinary Shares at 2.0 pence per new Ordinary Share

Notice of Extraordinary General Meeting

This document does not constitute an offer of securities and accordingly is not a prospectus, nor does it constitute an admission document drawn up in accordance with the AIM Rules.

Action to be taken by Shareholders is set out on page 6. Notice of the Extraordinary General Meeting of Stilo International PLC to be held at Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6QR on 27 November 2006 at 11.30 a.m. is set out at the end of this document. Whether or not you intend to be present at the EGM you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event not later than 11.30 a.m. on 25 November 2006.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2006

Latest time and date for receipt of Forms of Proxy	11.30 a.m. on 25 November
Extraordinary General Meeting	11.30 a.m. on 27 November
Admission and dealings in the Subscription Shares expected to commence on AIM	8.00 a.m. on 28 November

SUBSCRIPTION STATISTICS

Subscription Price	2p
Number of Existing Ordinary Shares in issue	92,728,470
Number of Subscription Shares	7,500,000
Number of New Ordinary Shares in issue immediately following Admission	100,228,470
Market capitalisation of the Company at the Subscription Price (including the Subscription Shares)	£2,005,000
Gross proceeds of the Subscription receivable by the Company	£150,000
Estimated net proceeds of the Subscription receivable by the Company	£135,000

DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Subscription Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules governing the admission to, and operation of, AIM contained in the document entitled the “AIM Rules” published by the London Stock Exchange
“Directors” or the “Board”	the directors of the Company, whose names appear on page 4 of this document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 11.30a.m. on 27 November 2006 by the Notice of EGM and any adjournment thereof
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders at the EGM
“FSMA”	the Financial Services and Markets Act 2000 (as amended) including any revisions made pursuant thereto
“London Stock Exchange”	London Stock Exchange plc
“Notice of EGM”	the notice of EGM set out at the end of this document
“Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company
“Resolution”	the resolution set out in the Notice of EGM
“Shareholders”	holders of Ordinary Shares
“Stilo” or the “Company”	Stilo International PLC
“Subscribers”	Les Burnham, Nick Parkin and Nigel Johnson
“Subscription”	the conditional subscription for the Subscription Shares by certain investors as described in this document
“Subscription Shares”	the 7,500,000 new Ordinary Shares which have been conditionally subscribed for on the basis described in this document

PART I
LETTER FROM THE CHAIRMAN

STILO INTERNATIONAL PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with No: 03893693)

Directors:

Barry Welck (Non-Executive Chairman)
Les Burnham (Chief Executive)
David Ashman (Non-Executive Director)

Registered Office
2 Bloomsbury St
London
WC1B 3ST

1 November 2006

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

Dear Shareholder,

Introduction

The Company announced earlier today that it has conditionally raised £135,000 (net of expenses) through a subscription for new Ordinary Shares at 2.0 pence per share.

The Subscription is subject to approval of the Resolution by Shareholders at an Extraordinary General Meeting to be held at 11.30am on 27 November 2006. If the Resolution is passed it is expected that the Subscription Shares will be admitted to trading on AIM on 28 November 2006.

The purpose of this document is to outline the reasons for the Subscription and to explain why the Board, with the exception of Les Burnham who is participating in the Subscription and has therefore not participated in such discussions, considers the Subscription to be in the best interests of the Company and Shareholders as a whole and why it recommends that you vote in favour of the Resolution.

An EGM has been convened for 27 November 2006, at which Shareholders will be asked to consider, and if thought fit, to approve the Resolution in order to enable the Company to issue shares pursuant to the Subscription. Details of the EGM are set out in the Notice of EGM, which is set out at the end of this document. Both of the Directors who hold Existing Ordinary Shares have irrevocably undertaken to vote in favour of the Resolution in respect of their entire shareholdings, which total 10,025,040 Ordinary Shares representing 10.8 per cent. of the current issued share capital of the Company.

Background to and reasons for the Subscription

The Company announced on the 31 July 2006 the acquisition of the business and certain assets of Proceed Engineering Solutions Limited and Proceed Holdings Limited ("Proceed") by its subsidiary Stilo Technology Limited. Stilo confirmed at the time of the interim results announcement on 6 September that trading showed continuing improvement over 2005 and that the Proceed acquisition had got off to a very encouraging start.

The Board is pleased to confirm that progress continues at Proceed and across the Company. As also stated in the interim announcement, the Board continues to invest further in the business, and to explore further acquisition opportunities. While Stilo has sufficient financial resources to achieve this planned growth, the Board has identified opportunities to accelerate growth through additional investment.

In response to support from Chief Executive Les Burnham and certain other investors, the Board is undertaking the Subscription to provide further working capital in order to help fund existing and potential future development. Mr Burnham will be subscribing for 3,000,000 Subscription shares for a total consideration of £60,000.

Details of the Subscription

The Company is proposing to raise £135,000 (net of expenses), by way of a Subscription for 7,500,000 new Ordinary Shares at 2.0 pence per new Ordinary Share. The Subscription Shares represent 7.48 per cent. of the issued share capital of the Company as enlarged by the Subscription. Details of participation in the Subscription are as follows:

	<i>Number of Ordinary Shares held a at 31 Oct 2006</i>	<i>Percentage of existing issued share capital as at 31 Oct 2006</i>	<i>Number of new Ordinary Shares Subscribed</i>	<i>Number of Ordinary Shares following completion of the Subscription and on Admission</i>	<i>Percentage of enlarged issued ordinary share capital following completion of the Subscription and on Admission</i>
Les Burnham*	-	-	3,000,000	3,000,000	2.99
Nick Parkin**	2,500,000	2.70	2,000,000	4,500,000	4.49
Nigel Johnson*	-	-	2,500,000	2,500,000	2.49

* through a self invested personal pension

**existing 2,500,000 shares held by Proceed Holdings Limited

The net proceeds of the Subscription will be used by the Company to provide further working capital for the Company, finance an increased level of marketing and to enable the Company to take advantage of any small acquisition opportunities that might arise.

The Board, with the exception of Les Burnham who is participating in the Subscription and who has not therefore participated in such discussions, considers that it is in the best interests of the Company and Shareholders as a whole for the funds to be raised by way of the Subscription.

The Company has agreed to pay all costs charges and expenses connected with the Subscription and Admission, including all fees and expenses payable in connection with admission of the Subscription Shares to trading on AIM, expenses of the registrars, printing expenses, postage and all legal and other professional fees and expenses and all related VAT.

Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Subscription Shares will commence on AIM on 28 November 2006.

The Subscription Shares will, when issued and fully paid, rank pari passu in all respects with the new Ordinary Shares, including the right to receive any dividend or other distribution declared, made or paid after the date of their unconditional allotment.

Current trading and future prospects

The Company announced on 31 July 2006 the acquisition of the business and certain assets of Proceed Engineering Solutions Limited and Proceed Holdings Limited by its subsidiary Stilo Technology Limited. Stilo confirmed at the time of the interim results announcement on 6 September 2006 that trading showed continuing improvement over 2005 and that the Proceed acquisition had got off to a very encouraging start.

The Board is pleased to confirm that progress continues at Proceed and across the Company. As also stated in the interim announcement, the Board continues to invest further in the business, and to explore further acquisition opportunities.

Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Shareholders holding in aggregate 10,025,040 Ordinary Shares, representing approximately 10.8 per cent. of the Existing Ordinary Shares.

Extraordinary General Meeting

In order to be able to issue the Subscription Shares it is proposed that the Directors be given authority to allot shares in the capital of the Company free from statutory pre-emption rights. In view of the relatively modest amount to be raised by the Subscription it is not considered economic to offer such shares on a pre-emptive basis to Shareholders; however, the amounts involved are believed to be significant enough to merit the Company's actions to enable the Subscriptions to be made. Accordingly there is set out at the end of this document a notice convening the Extraordinary General Meeting to be held at Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6QR on 27 November 2006 at 11.30 am. At this meeting the Resolution will be proposed to authorise the Directors to allot equity securities otherwise than on a pre-emptive basis in the circumstances set out in the Notice of EGM. This dis-application of the statutory pre-emption provisions is in addition to that approved at the Company's last Annual General Meeting, which will remain in full force and effect.

Action to be taken

You will find a Form of Proxy enclosed with this document for use at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.30 a.m. on 25 November 2006, being 48 hours before the time appointed for holding the EGM. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish.

Recommendation

Your Board, with the exception of Les Burnham who is participating in the Subscription and who has not therefore participated in such discussions, believes that the terms of the Subscription are fair and reasonable so far as the Shareholders are concerned and that the approval of the Resolution set out in the notice of EGM is in the best interests of the Company and Shareholders as a whole. Accordingly, your Directors, with the exception of Les Burnham, recommend that you vote in favour of the Resolution as they have irrevocably undertaken to do in respect of their beneficial holdings of 10,025,040 Ordinary Shares, representing approximately 10.8 per cent. of the existing ordinary share capital of the Company.

Yours faithfully

Barry Welck
Non-executive Chairman

PART II

ADDITIONAL INFORMATION

1. Share capital

1.1 The authorised and issued and fully paid share capital of the Company as the date of this document is as follows:

	Authorised		Issued	
	<i>Number</i>	£	<i>Number</i>	£
Ordinary Shares of 1p each	247,943,770	2,479,437.70	92,728,470	927,284.70

1.2 The authorised and issued and fully paid share capital of the Company following subscription will be as follows:

	Authorised		Issued	
	<i>Number</i>	£	<i>Number</i>	£
New Ordinary Shares of 1p each	247,943,770	2,479,437.70	100,228,470	1,002,284.70

2. Directors' and Other Interests

As at 31 October 2006 (being the latest practicable date prior to the publication of this document) the interests of the Directors (including their connected persons within the meaning of section 346 of the Act) in the issued share capital of the Company (both beneficial and non-beneficial) which have been notified to the Company pursuant to section 324 or 328 of the Act or are required to be entered in the register of Directors' interests maintained under the provisions of section 325 of the Act or could with reasonable diligence, be ascertained by the Directors and as they are expected to be immediately following completion of the Subscription are and will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares as at 31 October 2006</i>	<i>Options as at 31 October 2006</i>	<i>Percentage of existing issued share capital as at 31 October 2006</i>	<i>Number of Ordinary Shares following completion of the Subscription and on Admission</i>	<i>Percentage of enlarged issued ordinary share capital following completion of the Subscription and on Admission</i>
Barry Welck	2,125,040	-	2.29	2,125,040	2.12
Les Burnham	-	2,600,000	-	3,000,000	2.99
David Ashman	7,900,000	-	8.52	7,900,000	7.88

2.1 The Directors are aware of the following interests, other than the Directors, held directly or indirectly in 3 per cent. or more of the issued ordinary share capital of the Company (as at 31 October 2006 being the latest practicable date prior to the posting of this document).

<i>Shareholder</i>	<i>Number of Ordinary Shares as at 31 Oct 2006</i>	<i>Percentage of existing issued share capital as at 31 Oct 2006</i>	<i>Number of Ordinary Shares following completion of the Subscription and on Admission</i>	<i>Percentage of enlarged issued ordinary share capital following completion of the Subscription and on Admission</i>
Marlborough Fund Managers	5,550,000	5.99	5,550,000	5.54
K. Jones	4,650,000	5.01	4,650,000	4.63
Professor E. R. Pike	4,187,416	4.52	4,187,416	4.18
S. J. Buswell	4,084,416	4.40	4,084,416	4.07
M. S. Pike	4,084,416	4.40	4,084,416	4.07
Mossland Limited	3,800,000	4.10	3,800,000	3.79
S.C. Healy	3,384,416	3.65	3,384,416	3.38
N. Parkin*	2,500,000	2.69	4,500,000	4.49

*shares held by Proceed Holdings Limited

2.2 Save as disclosed above the Company is not aware of any interest held directly or indirectly which as at 31 October 2006 (being the latest practicable date prior to the posting of this document) represented 3 per cent. or more of the Company's issued ordinary share capital or of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

1 November 2006

STILO INTERNATIONAL PLC

(Incorporated and registered in England and Wales with No: 03893693)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HERBY GIVEN that an Extraordinary General Meeting of Stilo International PLC ("Company") will be held at Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6QR on 27 November 2006 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as a Special Resolution:

SPECIAL RESOLUTION

"THAT, in accordance with Section 95 of the Companies Act 1985, the directors be and are hereby given power to allot equity securities for cash pursuant to the general authority to allot relevant securities conferred upon the directors in a resolution passed at the Company's Annual General Meeting on 17th May 2006 as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment, provided that the power hereby granted:

- (i) shall be limited to the allotment of 7,500,000 new Ordinary Shares proposed to be issued pursuant to subscriptions to be made in accordance with a circular of the Company of which this notice forms a part by Les Burnham (through a self invested personal pension plan), Nick Parkin and Nigel Johnson (through a self invested personal pension); and
- (ii) shall be in addition to the section 89 authority conferred on the directors at the Company's Annual General Meeting on 17th May 2006 which shall remain in full effect."

Dated: 1 November 2006

By order of the Board
Richard Alsept
Company Secretary

Notes:

1. *A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and on a poll, vote instead of him. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.*
2. *To be effective, the relevant form of proxy together with the power of attorney or other written authority under which it is signed or an office or a notarially certified copy thereof must be completed and lodged with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before time for holding the meeting or adjourned meeting at which the proxy is to be used.*
3. *As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold shares in uncertificated form must be entered on the Company's register of members at 5.30 p.m. on 24 November 2006 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.*

**FORM OF PROXY
STILO INTERNATIONAL PLC**

For use at the extraordinary general meeting to be held at Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6QR at 11.30 a.m. on 27 November 2006

I/We
(name in full in block capitals)
 Of
(full postal address in block capitals)

being (a) member(s) of Stilo International PLC (the "Company") hereby appoint the chairman of the meeting (See note 3 below)

.....
 as my/our proxy to vote for me/us on my/our behalf at the extraordinary general meeting of the Company at 11.30 a.m. on 27 November 2006 and at any adjournment of the meeting. This form of proxy relates to the resolution referred to below and to any other business transacted at the meeting. I/We instruct my/our proxy to vote as follows:

	For	Against	Abstain
Special Resolution			
To disapply statutory pre-emption rights in relation to subscriptions for, in total, 7,500,000 new Ordinary Shares			

Please indicate how you wish your proxy to vote by inserting "X" in the appropriate box. If no indication is given, your proxy will be deemed to have the authority to vote or abstain at his/her discretion on the resolutions above and on any other business transacted at the meeting.

Dated..... Signature

NOTES

1. To be valid this form, together with any power of attorney or other written authority under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed, signed and deposited with Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.30 a.m. on 25 November 2006.
2. A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing.
3. The appointment of the chairman as proxy has been included for convenience. If you wish to appoint any other person as proxy delete the words "the chairman of the meeting" and add the name and address of the proxy appointed. A proxy need not be a member of the Company. If you complete the proxy form but do not delete the words "the chairman of the meeting" and you do not appoint a proxy, the chairman shall be entitled to vote as proxy.
4. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the shares.
5. Any alteration to this form must be initialled.
6. Returning the form of proxy will not prevent you from attending the meeting and voting in person.

BUSINESS REPLY SERVICE

Licence No. MB122

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Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR