

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt 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 professional financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares you should deliver this document together with the accompanying 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.

STILO INTERNATIONAL PLC

(Incorporated and Registered in England and Wales under the Companies Act 1985 with No. 03893693)

Proposed placing of up to 40,000,000 New Ordinary Shares

Reorganisation of share capital

Announcement of Software Partner Agreement with SAP

**Preliminary announcement of results for
year to 31 December 2003**

Notice of Extraordinary General Meeting

This document does not constitute a prospectus in accordance with the Public Offers of Securities Regulations 1995, nor does it constitute an admission document drawn up in accordance with the AIM Rules.

Notice of an extraordinary general meeting of Stilo to be held at 10.00 a.m. on Friday 26 March 2004 at the offices of the Company, 2nd Floor, North Quay, Temple Back, Bristol BS1 6FL, 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 10.00 a.m. on Wednesday 24 March 2004.

DEFINITIONS

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

“Act”	the Companies Act 1985 as amended
“AIM”	the Alternative Investment Market of the London Stock Exchange plc
“AIM Rules”	the rules for AIM companies and their nominated advisers contained in the document entitled the “Aim Rules for Companies” published by the London Stock Exchange plc
“Charles Stanley”	Charles Stanley and Company Limited
“Company” or “Stilo”	Stilo International Plc
“Admission”	admission of the Placing Shares to trading on Aim
“Deferred Shares”	the deferred shares to be created by sub-dividing each of the existing issued ordinary shares of £0.10 into one ordinary share of £0.01 and nine deferred shares of £0.01 pursuant to resolution 1 in the Notice of EGM at the end of this document
“Directors” or “Board”	the directors of Stilo, whose names appear on page 3 of this document
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company convened for 10.00 a.m. on 26 March 2004 by the notice set out at the end of this document and any adjournment thereof
“Form of Proxy”	the form of proxy accompanying this document for use at the EGM
“Group”	the Company and its subsidiary undertakings
“New Ordinary Shares”	the ordinary shares to be created by sub-dividing each of the existing ordinary shares of £0.10 into one of £0.01 ordinary share £0.01 and nine deferred shares of £0.01 pursuant to resolutions 1 and 2 in the Notice of Extraordinary General Meeting at the end of this document
“Notice of EGM”	the notice of EGM set out at the end of this document
“Ordinary Shares”	the existing ordinary shares of £0.10 each in the share capital of the Company
“Placing”	the placing of 40,000,000 New Ordinary Shares at 2.5p per New Ordinary Share
“Placing Agreement”	the conditional agreement dated 2 March 2004 entered into between the Company (1) and Charles Stanley (2)
“Placing Shares”	40,000,000 New Ordinary Shares to be issued pursuant to the Placing
“Shareholders”	holders of Ordinary Shares
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No 3755)
“Resolutions”	the resolutions to be proposed at the EGM as set out in the Notice of EGM

PART I

LETTER FROM THE CHAIRMAN

STILO INTERNATIONAL PLC

(Registered in England and Wales with No. 03893693)

Directors:

Barry Welck (*Non-executive Chairman*)
Leslie Burnham (*Chief Executive*)
Stephen Buswell (*Chief Technology Officer*)
Professor Roy Pike (*Non-executive Director*)

Secretary:

Richard Alsept

Registered Office:

2nd Floor
North Quay
Temple Back
Bristol
BS1 6FL

3 March 2004

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

Dear Shareholder

Placing of up to 40,000,000 New Ordinary Shares
Reorganisation of share capital
Announcement of Software Partner Agreement with SAP
Preliminary announcement of results for year to 31 December 2003
Notice of Extraordinary General Meeting

Introduction

The Company has today made a preliminary announcement of its results for the 12 months to 31 December 2003. Turnover for the year was £2.2 million, virtually unchanged from 2002. However, as a result of cost reductions implemented during 2003 the loss for the year was reduced from £1.6 million to £1.3 million. The full preliminary announcement is set out in Part II of this document.

The Board is also pleased to announce that Stilo has signed a Software Partner Agreement with SAP, one of the world's leading software companies, further information of which is set out below.

It was also announced today that, subject *inter alia* to Shareholders' approval, Stilo proposes to raise approximately £900,000 (net of expenses) through the Placing of 40,000,000 ordinary shares at a price of 2.5 pence per share. Given the decline in the Company's share price, the proposed Placing will be undertaken at a price of 2.5 pence per share, which is below the Company's current 10 pence nominal value per share. It is therefore proposed, subject to Shareholders' approval, that the Company's share capital be sub-divided and re-designated as New Ordinary Shares of 1 pence each and Deferred Shares of 1 pence each, details of which are set out below.

An Extraordinary General Meeting, at which Shareholder approval of the Placing and the reorganisation of the Share Capital of the Company will be sought is being convened for 10.00 a.m. on 26 March 2004, notice of which is given at the end of this document.

The purpose of this document is to explain why your Board considers that the Placing is in the best interests of the Company and its Shareholders as a whole and recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

New Software Partner Agreement

The Company is particularly pleased to announce that it has now signed a Software Partner Agreement with SAP of Germany, one of the world's leading suppliers of enterprise information management systems. As previously announced, SAP has been a client of Stilo for some time, and SAP has now entered into an agreement with the Company which will enable Stilo to provide its OmniMark product to existing and future SAP clients with the authority of being an approved SAP Partner. The Board believes that this agreement represents a significant endorsement of OmniMark software and is a major opportunity for the Group.

Reasons for the Placing

The Board remains committed to the Company becoming the leading supplier of content and knowledge engineering solutions to large enterprises, and believes that it is well placed to exploit the opportunities as XML continues to be adopted as the emerging technical standard for the publication and exchange of information across the internet and between corporate information systems.

Stilo's activities now comprise two main business areas – Content Engineering Division and Knowledge Engineering Division.

Content Engineering Division

All large organisations publish significant amounts of information and many make extensive use of XML to manage dynamically changing content prior to publishing in a variety of formats, printed and electronic. Stilo's software tools and development frameworks enable the high-speed processing of content in XML format and the rapid development and extension of associated content management systems.

Today Stilo's clients include Alcatel, Reed Elsevier, Airbus, Boeing and the European Parliament. As mentioned above, the Software Partner Agreement is an important marketing opportunity for the Company. The Board believes that Stilo's Content Engineering software is well positioned in the market place, including in particular the opportunities of the SAP agreement, and that additional financial resources from the Placing will enable the Company to take full advantage of these opportunities.

Knowledge Engineering Division

Through Stilo's experience in developing XML based information systems the Company has developed, in association with aerospace manufacturer Airbus UK, a software tool to enable the acquisition, management and sharing of knowledge, throughout large organisations. The resultant product, called SophX-Pack is to be installed at Airbus UK in 2004 and the Company is now marketing SophX-Pack to other major engineering companies.

Details of the Placing

In accordance with the terms of the Placing Agreement certain institutional and other investors have conditionally agreed to subscribe for 40,000,000 New Ordinary Shares at a placing price of 2.5p per New Ordinary Share. The Placing Shares will represent approximately 44.3 per cent. of the issued share capital as enlarged by the Placing. The placing price represents a discount of 41.2 per cent to the middle market quotation of 4.25p per Ordinary Share on Tuesday 2 March 2004 (the latest practicable date prior to the announcement of the Placing).

The Placing is conditional, *inter alia*, on the passing of the Resolutions, on Admission and on the Placing not having been terminated in accordance with the terms of the Placing Agreement.

Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading will commence in the Placing Shares on 29 March 2004.

The Placing Shares shall, when issued and fully paid, rank *pari passu* in all respects with the Company's existing Ordinary Shares, including in respect of the right to receive any dividend or other distribution thereafter declared made or paid. It is expected that definitive title to the Placing Shares, which will be in registered form, will be delivered in uncertificated form under CREST by 29 March 2004 and in certificated form by 7 April 2004. No temporary documents of title will be issued.

Share capital of the Company

On the date of this document, the authorised share capital was £7,000,000 divided into 70,000,000 Ordinary Shares of £0.10 each, of which 50,228,470 such shares are issued and credited as fully paid.

The placing price of 2.5 pence per share represents a 7.5 pence discount to the current nominal value of the Company's shares of 10 pence. In light of the restriction in Section 100 of the Act on issuing shares at a discount to nominal value it is necessary for the Company to reorganise its share capital by subdividing each of its existing authorised Ordinary Shares into one New Ordinary Share of £0.01 and nine Deferred Shares of £0.01. The rights attaching to the New Ordinary Shares shall be the same as those attaching to the old £0.10 Ordinary Shares. The rights attaching to the Deferred Shares shall be as set out in the new articles of association of the Company proposed to be adopted pursuant to resolution 3 in the Notice of EGM at the end of this document. The Deferred Shares are, in essence, a technical device to deal with the consequence of re-classifying the Ordinary Shares as £0.01 nominal value shares so as to rank equally with the new shares now being placed. It is intended that the Deferred Shares should have no economic value and shall be bought back by the Company as soon as possible. The holders of Deferred Shares shall have no right to receive any dividend out of the profits of the Company and shall not be entitled to receive notice of or to attend or vote at any general meeting of the Company. In addition, the Company shall have the right at any time to transfer or buy-back the Deferred Shares for nominal consideration.

Immediately following Admission (assuming that the reorganisation of share capital set out above has taken place and assuming full subscription of the New Ordinary Shares under the Placing) the authorised share capital of the Company will be £7,000,000 divided into 247,943,770 New Ordinary Shares of 1 pence each, of which 90,228,470 such shares will be issued and credited as fully paid and 452,056,230 Deferred Shares, all of which will be issued and credited as fully paid.

Extraordinary General Meeting

In order for the Company to undertake the Placing it is necessary for the Shareholders of the Company to pass ordinary resolutions to sub-divide and re-designate the existing authorised issued and unissued share capital as set out above. Furthermore, given that the Company is to create a new class of Deferred Shares it is necessary for the Company's articles of association to be amended to incorporate the rights attaching to the Deferred Shares. Finally, it is necessary for the Company to disapply statutory pre-emption rights which arise under the provisions of section 89 of the Act and which confer rights of pre-emption in respect of the allotment of equity securities to be paid in cash, except to the extent that such rights are disapplied by the passing of a special resolution pursuant to section 95 of the Act. The Directors have no present intention of allotting shares pursuant to this disapplication other than in respect of the Placing.

Set out at the end of this document is a notice convening the EGM of the Company to be held at the offices of the Company, 2nd Floor, North Quay Temple Back, Bristol BS1 6FL at 10.00 a.m. on 26 March 2004 to consider, and if thought fit, pass two ordinary resolutions sub-dividing and re-designating the Company's share capital and three special resolutions, one to adopt new articles of association of the Company, one to authorise the Directors to allot equity securities for cash without first offering them to Shareholders and one authorising the Company to buy back the Deferred Shares in accordance with the provisions of the proposed new articles of association of the Company.

Action to be taken

Shareholders will find a Form of Proxy accompanying this document for use at the EGM. You are asked to complete and lodge it with the Company's registrars, Capita IRG Plc, PO Box 25, Beckenham, Kent BR3 4BR so as to arrive as soon as possible, but for it to be valid it must be received by no later than 10.00 a.m. on 24 March 2004.

The return of the Form of Proxy will not prevent Shareholders from attending the EGM and voting in person should they so wish to do.

Recommendation

Your Board, believes that the Placing is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the EGM as they intend to do in respect of their own aggregate holdings of 9,696,832 Ordinary Shares representing approximately 19.3 per cent. of the existing issued share capital of the Company.

Yours faithfully

Barry Welck
Non-executive Chairman

PART II

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR 12 MONTHS TO 31 DECEMBER 2003

“Chairman’s Statement

I am pleased to announce Stilo’s results for the twelve months ended 31 December 2003 and to report upon the progress made by the Company during the period.

Results

As stated in the trading statement, which was issued on 20 January 2004, sales revenues have remained broadly the same as last year at £2.28m (2002: £2.28m) despite difficult market conditions. However, during that period annual maintenance revenues in the Content Engineering Division grew by 35 per cent. to £754,000 (2002: £557,000). As a result approximately one third of Stilo’s revenues are represented by annual contracts.

At the same time operating costs have been reduced further with staff numbers reduced to 31 by the end of January 2004 compared to 38 employed across the group at the same time last year. Consequently the loss, before goodwill amortisation, was reduced to £1.18m (2002: (£1.38m)) and the pre tax loss for the year was reduced to £1.45m (2002: (£1.85m)).

The Group retained a positive cash balance of £474,000 at 31 December 2003 (2002: £1.8m).

New Partner Agreement

I am delighted to announce that Stilo has signed a Software Partner Agreement with SAP, one of the world’s largest software companies, for its OmniMark software product. As an SAP Software Partner, Stilo will approach SAP Knowledge Warehouse customers directly as an approved supplier of complementary software and will participate in expanded marketing activities in association with SAP.

Placing

The Company has also today announced that Charles Stanley & Co. Ltd has, on behalf of the Company, conditionally placed 40,000,000 new ordinary shares at 2.5p per share with institutional and other investors to raise £1,000,000 before expenses. Proceeds from the Placing will be used to develop the Company’s existing sales and marketing initiatives and to ensure that Stilo has sufficient resources to support anticipated future sales growth.

Details of the Placing are contained in a circular which will be sent to Shareholders, together with a notice of an Extraordinary General Meeting which has been convened for 26 March 2004 at which the proposed Placing, and related matters, will be considered by Shareholders.

Strategy

The Board remains committed to becoming the leading supplier of content and knowledge engineering solutions to large enterprises, and believes that it is well placed to exploit the opportunities as XML continues to be adopted as the emerging technical standard for the publication and exchange of information across the Internet and between corporate information systems.

Group Reorganisation

In order to improve the focus of our sales, marketing and development activities two divisions have been created; Stilo Content Engineering Division with offices in North America and continental Europe and Stilo Knowledge Engineering Division based in the UK.

Content Engineering Division

All large organisations publish significant amounts of information and many make extensive use of XML to manage dynamically changing content prior to publishing in a variety of formats, printed and electronic. Stilo's software tools and development frameworks enable the high-speed processing of content in XML format and the rapid development and extension of associated content management systems.

Stilo's Content Engineering Division has 170 customers subscribing to annual maintenance contracts for OmniMark software, with annual maintenance revenues growing by 35 per cent. to £754,000 in 2003. As well as strong growth in the level of maintenance revenue the Company is continuing to benefit from encouragingly higher levels of consultancy services income.

Customers include Reed Elsevier, IBM, SAP, Airbus, Boeing, Alcatel and the European Parliament.

Knowledge Engineering Division

Through Stilo's experience in developing XML based information systems the Company has developed, in association with aerospace manufacturer Airbus UK, a software tool to enable the acquisition, management and sharing of knowledge throughout large organisations. The resultant product, called SophX-Pack, is to be installed at Airbus UK during 2004 and the Company is now marketing SophX-Pack to other major international engineering companies.

Prospects

The Content Engineering Division is focused upon building its maintenance revenues and exploiting new market opportunities. The SAP Software Partner Agreement serves as a significant endorsement of the OmniMark product, and will assist Stilo when marketing to the SAP customer base in the future. Stilo plans to ship a major release of its Content Engineering Framework, StiloCF2.0, during 2004, and this is expected to drive major new sales of software and consultancy services to large organisations.

The Knowledge Engineering Division will see continued development of SophX-Pack at Airbus UK, and a focus upon the establishment of pilot projects with other large engineering companies, which will serve to underpin revenue growth in 2005 and beyond.

The combination of the new sales opportunities provided by the SAP Software Partner Agreement and new product releases during 2004, together with the growing renewable maintenance revenues, all assisted by the proceeds of the Placing, make for an encouraging future.

Barry Welck
Chairman

Results for the year ended 31 December 2003

Consolidated Profit and Loss Account

	2003	2003	2002	2002
	£'000	Unaudited £'000	£'000	Audited £'000
Turnover				
– continuing	2,279		2,277	
– discontinued	–		77	
Cost of Sales		2,279 (233)		2,354 (259)
Gross Profit		2,046		2,095
Administrative expenses				
– normal		(3,513)		(3,897)
– exceptional		(28)		(146)
Other operating income		–		61
Operating loss				
– continuing	(1,495)		(1,748)	
– discontinued	–		(139)	
Profit/(Loss) on Disposal of Subsidiary		(1,495)		(1,887)
Interest receivable		18		(49)
		32		89
Loss on ordinary activities before taxation		(1,445)		(1,847)
Taxation		131		159
Loss on ordinary activities after taxation		(1,314)		(1,688)
Minority Interest		–		68
Retained loss for the financial year		(1,314)		(1,620)
Loss per share (pence)		(2.61)		(3.56)
Fully diluted loss per share (pence)		(2.61)		(3.56)

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2003

	2003	2002
	Unaudited £'000	Audited £'000
Loss for the financial year	(1,314)	(1,620)
Unrealised loss on foreign exchange	(5)	(63)
	(1,319)	(1,683)

Consolidated Balance Sheet as at 31 December 2003

	2003 Unaudited £'000	2002 Audited £'000
Fixed assets		
Intangible assets	2,071	2,333
Tangible assets	180	232
	<u>2,251</u>	<u>2,565</u>
Current assets		
Debtors	933	810
Cash at bank and in hand	474	1,818
	<u>1,407</u>	<u>2,628</u>
Creditors: amounts falling due within one year	<u>(728)</u>	<u>(944)</u>
Net current assets	<u>679</u>	<u>1,684</u>
Total net assets	<u>2,930</u>	<u>4,249</u>
Capital and reserves		
Called up share capital	5,023	5,023
Share premium account	4,828	4,828
Merger reserve	658	658
Profit and loss account	(7,579)	(6,260)
Equity shareholders' funds	<u>2,930</u>	<u>4,249</u>

Consolidated Cash Flow Statement
For the year ended 31 December 2003

	2003 Unaudited £'000	2002 Audited £'000
Net cash outflow from operating activities	(1,458)	(1,139)
Returns on investments and servicing of finance		
Interest received	32	89
Net cash inflow from returns on investments and servicing of finance	32	89
Taxation credit received	125	26
Capital expenditure		
Purchase of tangible fixed assets	(61)	(81)
Net cash outflow from capital expenditure	(61)	(81)
Acquisitions and disposals		
Purchase of subsidiary undertakings	–	(221)
Disposal of subsidiary undertakings	–	3
Loan to Former Subsidiary	18	(123)
Net cash (disposed)/acquired with subsidiary undertakings	–	(4)
Net cash outflow from acquisitions and disposals	18	(345)
Management of liquid resources		
Decrease in short term deposits	1,388	1,474
Financing		
Repayments of capital element of finance leases	–	–
Net cash inflow from financing	–	–
Increase/(decrease) in cash	<u>44</u>	<u>24</u>

Notes to the Preliminary Announcement

For the year ended 31 December 2003

1. The financial information in this announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory accounts for the previous financial year ended 31 December 2002 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The auditors have indicated that they intend to give an unqualified report, which will not contain any statement under section 237(2) or (3) of the Companies Act 1985, on these statutory accounts. Copies of the Company's Report and Accounts will be sent to shareholders shortly and will be available at the registered office of the Company: 2nd Floor, North Quay, Temple Back, Bristol BS1 6FL.
2. The consolidated accounts include the accounts of the Company and its subsidiary undertakings and have been prepared using acquisition accounting principles.
3. The basic earnings per share is calculated on the weighted average number of shares in issue during the year of 50,228,470 (2002: 45,442,128). The fully diluted earnings per share takes account of outstanding options which results in a weighted average number of shares in issue during the year of 50,228,470 (2002: 45,442,128).
4. The directors do not recommend the payment of a final dividend (2002: nil).

STILO INTERNATIONAL PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the registered office of the Company, 2nd Floor, North Quay Temple Back, Bristol, BS1 6FL on 26 March 2004 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed in the case of resolutions 1 and 2, as ordinary resolutions and, in the case of resolutions 3, 4 and 5 as special resolutions:

Ordinary Resolutions

1. THAT subject to the passing of Resolution 3 below each of the 50,228,470 issued Ordinary Shares of £0.10 of the Company be sub-divided and re-designated as one New Ordinary Share of £0.01 each and nine Deferred Shares of £0.01 each, each having attached the rights and restrictions as set out in the new articles of association of the Company to be adopted under Resolution 3 below.
2. THAT each of the 19,771,530 unissued Ordinary Shares of £0.10 of the Company be sub-divided into ten New Ordinary shares of £0.01 each, having attached the rights and restrictions as set out in the new articles of association of the Company to be adopted under Resolution 3 below.

Special Resolutions

3. THAT the Company's articles of association be and they are hereby altered by the insertion of the new article numbered 3, as set out below after the existing article numbered 2 and the re-numbering of the subsequent articles accordingly and the addition of any consequential changes necessary as a result of the re-designation and sub-division of the Company's share capital pursuant to Resolutions 1 and 2 above.
3. *Rights attaching to the Deferred Shares*
The rights attached to the Deferred Shares are as follows:
 - 3.1 *The holders of the Deferred Shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year or any other income or right to participate in any such profits .*
 - 3.2 *As regards capital, the holders of Deferred Shares shall have the right to repayment of the amounts paid up or credited as paid up on such shares after payment in respect of each Ordinary Share of the amount paid up on such Ordinary Share and £10,000,000.*
 - 3.3 *The holders of Deferred Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the company or to vote (either personally or by proxy) on any resolution proposed at any general meeting.*
 - 3.4 *The rights attached to the Deferred Shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or pari passu with or subsequent to the Deferred Shares.*
 - 3.5 *The Company shall have irrevocable authority in its absolute discretion, subject to any limitations contained in these Articles of Association or the Act, without obtaining the sanction of the holder or holders of the Deferred Shares at any time to appoint any person to execute on behalf of such holders of Deferred Shares under the hand of any two Directors any contract, agreement or other instrument necessary in order to effect:*
 - (i) *a transfer of any or all of the Deferred Shares (and/or an agreement to transfer the same) to such person(s) as the Company may determine; and/or*
 - (ii) *a buy back or purchase into treasury by the Company of the Deferred Shares*
in any such case for a price not more than an aggregate sum of 1 pence for all the Deferred Shares on terms that the recipient of such sum shall be selected by the Company and pending such transfer and/or buy back, the Company shall be entitled to retain the certificate(s) for such Deferred Shares.

4. THAT the Directors be granted power pursuant to section 95 of the Act to the exclusion of and in substitution for (save to the extent that the same have previously been exercised) all such existing powers to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by the ordinary resolution number 4 set out in the notice of annual general meeting dated 17 April 2003 and passed on 28 May 2003 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (i) the allotment of equity securities where such securities are offered (whether by way of a rights issue, or open offer or otherwise) to holders of relevant shares and relevant employee shares in proportion (as nearly as may be) to their respective holdings (but subject to such exclusions or other arrangements that the directors of the Company may consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practicable problems arising in connection with the laws of any territory or requirements of any generally recognised regulatory body or any stock exchange arising in any territory);
 - (ii) the allotment of 40,000,000 New Ordinary Shares in connection with the Placing;
 - (iii) the allotment (otherwise than pursuant to paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal value of £45,114;

such authority to expire at the conclusion of the next annual general meeting of the Company or, if earlier, not more than 15 months from the date of passing this resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such offer or agreement as if the power hereby conferred had not expired.

5. THAT subject to the passing of Resolution 3 above, pursuant to the provisions of articles 1.5 and 1.6 of the Company's articles of association and subject to the limitations imposed by the Act, the Company be and is hereby authorised to appoint any two Directors of the Company to buy back all or any of the Deferred Shares by means of a simple stock transfer form executed by the Directors so appointed in accordance with the terms of the articles of association of the Company, provided that the authority conferred by this resolution shall expire on 26 September 2005.

Registered Office:
2nd Floor
North Quay Temple Back
Bristol
BS1 6FL

By Order of the Board
Richard Alsept
Secretary

3 March 2004

Notes:

1. Only the holders of Ordinary Shares are entitled to attend the EGM. A Shareholder entitled to vote may appoint a proxy to attend and, on a poll, to vote instead of that Shareholder. A proxy need not be a Shareholder. To be effective, the relevant Form of Proxy must be completed and lodged with the Company's registrars, Capita IRG Plc, PO Box 25, Beckenham, Kent BR3 4BR no later than 48 hours before the meeting. Completion and return of the Form of Proxy enclosed herewith will not prevent a Shareholder from attending and voting in person.
2. The Company, pursuant to regulation 41 of the Regulations, specifies that in order to attend and vote at the EGM (and for the purposes of calculating how many votes a person entitled to vote may cast), a person must be entered on the Register of Members by the close of business on 24 March 2004. If the meeting is adjourned, the time by which a person must be entered on the Register of Members in order to have the right to attend or vote at the adjourned meeting is the close of business on the business day preceding the date fixed for the adjourned meeting. Changes to the Register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.
3. Terms defined in the circular to Shareholders of which this forms part have the same meaning when used in this Notice of EGM.
4. Copies of the Company's existing articles of association and the proposed articles of association marked to show the full text of all amendments proposed in this notice of EGM will be available for inspection at the registered office of the Company at 2nd Floor, North Quay Temple Back, Bristol BS1 6FL during normal business hours on any weekday (Saturdays and Bank Holidays excepted).

FORM OF PROXY

STILO INTERNATIONAL PLC

For use at the Extraordinary General Meeting to be held at the offices of 2nd Floor, North Quay Temple Back, Bristol BS1 6FL at 10.00 a.m. on 26 March 2004

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 or (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 10.00 a.m. on 26 March 2004 and at any adjournment of the meeting. This form of proxy relates to the resolutions referred to below and to any other business transacted at the meeting.

I/We instruct my/our proxy to vote as follows:

ORDINARY RESOLUTIONS	FOR	AGAINST
1 To sub-divide each issued ordinary share into one New Ordinary Share of £0.01 and nine Deferred Shares of £0.01.		
2 To sub-divide each authorised but unissued Ordinary Share into ten New Ordinary Shares of £0.01 each.		
SPECIAL RESOLUTIONS		
3 To amend the articles of association.		
4 To disapply pre-exemption rights.		
5 To authorise the purchase by the Company of Deferred 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

- 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 the Registrars by not later than 10.00 a.m. on 24 March 2004.
- 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.
- 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.
- 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.
- Any alteration to this form must be initialled.
- Returning the form of proxy will not prevent you from attending the meeting and voting in person.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and to vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be entered on the register of members of the Company by the close of business on 24 March 2004. If the meeting is adjourned the time by which a person must be entered on the register of members in order to have the right to attend and vote at the adjourned meeting is the close of business on the business day preceding the date fixed for the adjourned meeting.



THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB122



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FIRST FOLD

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