THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

The Company and the Directors whose names appear on page 4 of this document accept collective and individual responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued share capital of the Company to be admitted to trading on the London Stock Exchange's AIM market. It is expected that trading in the Common Shares will commence on AIM on 31 December 2007.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

A copy of this document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies has been issued in connection with the application for admission to trading of the Enlarged Share Capital on AIM. This document does not comprise a prospectus for the purpose of FSMA and the Prospectus Rules of the Financial Services Authority and has not been delivered to the Registrar of Companies in England and Wales for registration.

The whole of this document should be read. Your attention is particularly drawn to the Risk Factors set out in Part III of this document.

ARMOR DESIGNS, INC.

(Incorporated in the State of Delaware, US under the General Corporation Law of the State of Delaware with registered number 4135213)

Placing of 1,600,000 Common Shares of US$0.001 each at US$10 per share
and
Admission to trading on AIM

Nominated Adviser and Broker	**UK Placing Agent**
Zimmerman Adams International Ltd.	**Alexander David Securities Ltd.**

Authorised		*Share capital immediately following Admission*	*Issued and fully paid, assuming subscription in full*	
Amount	*Number*		*Amount*	*Number*
US$50,000	50,000,000	Common Shares of US$0.001 par value per share	US$25,922.50	25,922,500

The distribution of this document in certain jurisdictions may be restricted by law and therefore any person into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States, Canada, Australia, Japan or the Republic of South Africa. This issue of Common Shares has not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, Japan or the Republic of South Africa or under the securities legislation of any state of the United States or any province or territory of Canada, Australia, Japan or the Republic of South Africa. Accordingly, subject to certain exceptions, the Common Shares may not be offered or sold directly or indirectly in or into, or to any national, resident or citizen of the United States, Canada, Australia, Japan or the Republic of South Africa. The Common Shares have not been registered with any United States federal or state securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy of or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Overseas Placing Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("Securities Act") and may not be offered or sold in, or into the United States or to, or for the account or benefit of, US persons (as defined in Regulation S promulgated under the Securities Act ("Regulation S")).

Subscribers for Overseas Placing Shares will generally be required to certify that they are not within the United States at the time a buy order is executed, not a US person as defined in Regulation S and not acquiring the Common Shares for the account or benefit of US persons as defined in Regulation S. In addition, all purchasers must agree to resell such securities only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from registration, and the Company may (but is not required to) request an opinion of counsel reasonably satisfactory to the Company that such transfer is to be effected in a transaction meeting the requirements of Regulation S, or is exempt from registration. All purchasers must further agree not to engage in hedging transactions with regard to the Overseas Placing Shares except as permitted under the Securities Act. The Company will be obligated to refuse to register any transfer of the Overseas Placing Shares not made in accordance with Regulation S or another appropriate exemption. **For further information regarding the restrictions on resale and/or transfer that are applicable to the Overseas Placing Shares, your attention is directed to Part VIII of this document.**

The US Placing Shares will only be offered and sold within the US or to, or for the account or benefit of, US persons, who are Accredited Investors in reliance on Regulation D under the Securities Act ("Regulation D"). If you are in the US or are a US person you may not acquire any US Placing Shares unless you are an Accredited Investor. Any person in the US who obtains a copy of this document and who is not an Accredited Investor is required to disregard it. In addition, each US person who is purchasing US Placing Shares under the Placing will be required to sign and deliver a subscription agreement in which it will give certain representations as to its status as an Accredited Investor and agree to certain restrictions on the transfer of the US Placing Shares. **For further information regarding the restrictions on resale and/or transfer that are applicable to the US Placing Shares, your attention is directed to Part VIII of this document.**

Zimmerman Adams International Ltd. ("Zimmerman Adams"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser to the Company. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, expressed or implied, is made by Zimmerman Adams as to any of the contents of this document. Zimmerman Adams will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

Copies of this document will be available for collection, free of charge, from Zimmerman Adams International Ltd., 4th Floor, 12 Camomile Street, London, EC3A 7PT for one month from the date of this document.

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PLACING STATISTICS

Placing Price	US$10
Number of Common Shares in issue on Admission excluding the Placing Shares	24,322,500
Total number of Common Shares in issue following the Placing	25,922,500
Total number of Common Shares subject to Options and Warrants on Admission	2,330,400
Gross proceeds of the Placing receivable by the Company	US$16,000,000
Estimated net proceeds of the Placing receivable by the Company	US$13,826,317
Percentage of issued share capital subject to the Placing	6.17 per cent.
Percentage of issued share capital represented by Directors' interests	86.09 per cent.
All above figures exclude the Market Demand Shares	
Number of Common Shares the subject of the Market Demand Arrangements	3,000,000
Percentage of issued share capital represented by Market Demand Shares following issue	10.37 per cent.
AIM symbol (US Shares)	ADID
CUSIP code (US Shares)	U04227200
ISIN code (US Shares)	USU042272000
AIM symbol (Overseas Placing Shares)	ADIS
CUSIP code (Overseas Placing Shares)	U04227101
ISIN code (Overseas Placing Shares)	USU042271010

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and commencement of dealings on AIM of the Common Shares (including the Placing Shares)	31 December 2007
Definitive share certificates for the Placing Shares and the Bond Common Shares despatched by	16 January 2007
Publication of this document	21 December 2007

Each of the dates in the above timetable is subject to change

DIRECTORS AND ADVISERS

Directors	Robin Siegfried *(Non-Executive Chairman)* Dr. James St. Ville *(Chief Executive Officer and President)* Andy Volkmann *(Chief Financial Officer)* Ardeshir Sidhwa *(Chief Operating Officer)* Retired Major General Alfred Valenzuela *(Non-executive Director)* Mary Campbell, O.B.E. *(Non-executive Director)* Air Chief Marshal Sir Richard Johns, GCB, CBE, LVO *(Non-executive Director)* all of whose business address is:
Head Office	3908 E. Broadway Road Suite 110A Phoenix Arizona 85040-2995 USA
Nominated Adviser and Broker	Zimmerman Adams International Ltd. 4th Floor 12 Camomile Street London EC3A 7PT
UK Placing Agent	Alexander David Securities Limited 10 Finsbury Square London EC2A 1AD
Reporting Accountants	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Lawyers to the Company (UK)	Kirkpatrick & Lockhart Preston Gates Ellis LLP 110 Cannon Street London EC4N 6AR
Lawyers to the Company (US)	Kirkpatrick & Lockhart Preston Gates Ellis LLP 1601 K Street, N.W. Washington DC 20006 USA
Lawyers to the Nominated Adviser and Placing Agent	Faegre & Benson LLP 7 Pilgrim Street London EC4V 6LB

Registrars	Capita Registrars (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Competent Person	Joy L. Arthur 2050 San Acacio Las Cruces New Mexico 88001 USA
Website	www.armordesigns.com

DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

"2006 Act"	the UK Companies Act 2006
"Accredited Investors"	accredited investors as defined in Rule 501 under the Securities Act
"AD LLC"	Armor Designs LLC, a limited liability company organised in the State of Delaware, USA
"Admission"	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
"Aztec"	Aztec IP Company, LLC, a limited liability company organised in the State of Arizona, USA, the entire issued limited liability company interests of which are owned by Dr. James St. Ville
"Aztec Licence Agreement"	the patent licence agreement dated 13 September 2004, as amended on 30 December 2004, between AD LLC and Aztec as described in Part VI of this document
"Bonds"	the bonds issued pursuant to the series A convertible bond offering as further described in paragraph 3.3 of Part IX of this document
"Bond Common Shares"	the 1,822,500 Common Shares in issue at Admission arising from the conversion of the Bonds in accordance with their terms
"Bond Warrants"	warrants granted on conversion of the Bonds in accordance with their terms as further described in paragraph 3.3 of Part IX of this document
"Bylaws"	the bylaws of the Company as amended or restated from time to time and as further described in paragraph 4 of Part IX of this document
"Certificate of Incorporation"	the certificate of incorporation of the Company as amended or restated from time to time and as further described in paragraph 4 of Part IX of this document
"City Code"	the City Code on Takeovers and Mergers published by the Panel (as amended from time to time)
"Common Shares"	common shares with a par value of US$0.001 each in the capital of the Company
"Companies Act"	the UK Companies Act 1985, as amended

"Company" or "Armor Designs"	Armor Designs, Inc.
"Depository Interests"	depository interests in respect of underlying shares which may be traded and settled in CREST
"DGCL"	the General Corporation Law of the State of Delaware, as in effect on the date of this document
"Directors" or "Board"	the directors of the Company whose names appear on page 4 of this document
"Disclosure and Transparency Rules"	the disclosure and transparency rules published by the FSA from time to time
"Enlarged Share Capital"	the Existing Common Shares, the Placing Shares and the Bond Common Shares
"Exchange Act"	the United States Securities Exchange Act of 1934 (as amended)
"Existing Common Shares"	the 22,500,000 Common Shares in issue at the date of this document
"FSA"	the Financial Services Authority of the United Kingdom
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and AD LLC
"Hawthorne & York"	Hawthorne & York International, Ltd., a corporation incorporated in the State of Arizona, USA, the entire issued share capital of which is owned by Dr. James St. Ville
"Hawthorne & York Line of Credit"	the line of credit extended to AD LLC by Hawthorne & York
"H&Y Licence Agreement"	the technology licence agreement relating to the VCM technology dated 13 September 2004, as amended on 30 December 2004, between AD LLC and Hawthorne & York
"Listing Rules"	the rules of the United Kingdom Listing Authority relating to admission to the Official List
"Locked-in Parties"	Hawthorne & York and the Directors
"London Stock Exchange"	London Stock Exchange plc
"Market Demand Arrangements"	the arrangements whereby the Company (or the Placing Agent on behalf of and for the benefit of the Company) may sell some or all of the Market Demand Shares following Admission in circumstances where there is demand from potential investors for the subscription for such shares
"Market Demand Shares"	up to 3,000,000 Common Shares which may, at the absolute discretion of the Company, be sold issued by the Company (or the Placing Agent on behalf of and for the benefit of the Company) pursuant to the excess demand
"Model Code"	the model code on dealings in listed securities as set out in Annex I to listing rule 9 of the Listing Rules
"NIJ Level III Threat Level"	US National Institute of Justice ballistic resistance of personal body armour level which protects against 7.62 millimetre US military bullets, with specified nominal masses impacting at a specified minimum velocity

"NIJ Level IV Threat Level"	US National Institute of Justice ballistic resistance of personal body armour level which protects against .30 calibre armour piercing US military bullets, with specified nominal masses impacting at a specified minimum velocity
"Nomad Options"	the conditional options to subscribe for 16,000 Common Shares held by Zimmerman Adams as described in paragraph 12 of Part II of this document
"Nominated Adviser"	Zimmerman Adams International Ltd., the Company's nominated adviser (as defined in the AIM Rules for Companies), a member of the London Stock Exchange and authorised and regulated in the UK by the FSA
"Official List"	the official list of the UKLA
"Omnibus Incentive Plan"	the Armor Designs, Inc. 2007 Omnibus Incentive Plan as described in paragraph 9 of Part IX of this document
"OT&E"	operational testing & evaluation
"Overseas Placing Shares"	the new Common Shares to be issued by the Company pursuant to the Placing in reliance on Regulation S
"Panel"	the UK Panel on Takeovers and Mergers
"Patents"	the patents relating to the VCM technology that are the subject of the Aztec Licence Agreement further details of which are set out in Part VI of this document
"Placing"	the conditional placing of the Placing Shares pursuant to the Placing Agreement
"Placing Agent"	Alexander David Securities Limited of 10 Finsbury Square, London EC2A 1AD
"Placing Agent Options"	the conditional options to subscribe for 16,000 Common Shares held by Finsquare Investments Limited, a wholly owned subsidiary of Alexander David Holdings Limited the holding company of the Placing Agent as described in paragraph 12 of Part II of this document
"Placing Agreement"	the conditional agreement dated 20 December 2007 between the Nominated Adviser, the Placing Agent, the Company and the Directors relating to the Placing, further details of which are set out in paragraph 13.4 of Part IX of this document
"Placing Price"	US$10 per Common Share
"Placing Shares"	the US Placing Shares and the Overseas Placing Shares
"Prospectus Directive"	Directive No 2003/71/EC of the European Parliament and of the Council passed on 4 November 2003 and relating to the prospectus to be published when securities are offered to the public or admitted to trading
"Prospectus Rules"	the prospectus rules made pursuant to Part VI of the FSMA
"R&D"	research & development
"Registrar"	Capita Registrars (Jersey) Limited, 12 Castle Street, St. Helier, Jersey, JE2 3RT

"Regulation D"	Regulation D promulgated under the Securities Act
"Regulation S"	Regulation S promulgated under the Securities Act
"Regulations"	the Uncertificated Securities Regulations 2001
"Relationship Agreement"	the relationship agreement dated 20 December 2007 and made between Dr. James St. Ville, Hawthorne & York, the Company and Zimmerman Adams, details of which are set out in paragraph 13.3 of Part IX of this document
"RSUs"	restricted stock units awarded or allowed to be awarded under the Omnibus Incentive Plan
"SARs"	stock apreciation rights awarded or allowed to be awarded under the Omnibus Incentive Plan
"Securities Act"	the United States Securities Act of 1933 (as amended)
"Share Dealing Code"	the share dealing code adopted by the Company to ensure compliance with rule 21 of the AIM Rules for Companies described in paragraph 17 of Part II of this document
"Shareholder"	a holder of Common Shares, also known as a "stockholder"
"SOX"	the United States Sarbanes-Oxley Act of 2002
"Subsidiary"	AD LLC, the subsidiary of the Company
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the United Kingdom Listing Authority, being the FSA acting in its capacity as the competent authority for the purposes of the FSMA
"up-armouring"	the process of improving existing armouring of a vehicle
"US", "USA" or "United States"	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
"US$" or "$" or "US dollars"	the lawful currency of the United States
"US Placing Shares"	the new Common Shares to be offered and sold within the US or to or for the account or benefit of US persons who are Accredited Investors pursuant to the Placing in reliance on Regulation D
"US GAAP"	means accounting principles generally accepted in the United States
"US person"	bears the meaning ascribed to such term by Regulation S
"US Shares"	the US Placing Shares, the Existing Common Shares and the Bond Common Shares
"VCM"	a generic synthetic manufacturing process called 'volumetrically controlled manufacturing' which is the subject of the Patents
"Warrants"	means the Bond Warrants
"Zimmerman Adams"	Zimmerman Adams International Ltd., nominated adviser and broker to the Company

Note – The £/$ exchange rate used in this document is £1.00 to $2.00

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document includes statements, particularly in Parts I, II, III, V, VI, VII, VIII and IX, that are, or may be deemed to be, "forward-looking statements". In some cases, you can identify these statements by forward-looking words such as "may", "might", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about the Company, may include projections of the Company's future financial performance, based on its growth strategies and anticipated trends in its business. These statements are based on the Company's current expectations and projections about future events. There are important factors that could cause the Company's actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined under "Risk Factors" in Part III of this document.

These risks are not exhaustive. Other sections of this document may include additional factors which could adversely impact the Company's business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for the Company's management to predict all risk factors, nor can the Company assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although the Directors believe the expectations reflected in the forward-looking statements are reasonable, they cannot guarantee future results, level of activity, performance or achievements. Moreover, none of the Company, the Directors or any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to release publicly the results of any revisions or updates to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

Forward-looking statements include, but are not limited to, the following:

- statements in Part I relating to the market opportunities and the Company's product development strategy;
- the discussions in Part II "Composite Armour Market" and in Part I about significant market opportunities for the Company created by the products currently under development;
- the statements in Part II "Overview of VCM Technology" and "Information on the Group's Activities" in relation to the potential advantages of the Company's VCM technology and the plans for developing it;
- the statements in Part II "Strategy" as to the Company's plans, goals, intentions, expectations and beliefs concerning the development and commercialisation of its VCM technology, including the Company's business model and its ability to grow revenues utilising this business model; and
- the statements and discussions in Part VI in relation to intellectual property.

PART I

KEY INFORMATION

This key information section highlights information contained elsewhere in this document. This key information section does not contain all the information investors should consider before investing in the Common Shares. The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document including the "Risks Factors" set out in Part III of this document and not rely solely on the information in this key information section or any other summarised information in this document.

1. The Group and its Business

Armor Designs, Inc. was incorporated in the State of Delaware, USA on 30 March 2006. The Company's principal business is that of a holding company of AD LLC, which was organised to develop and commercialise volumetrically controlled manufacturing ("**VCM**") technology within the composite armour market.

The Group specialises in the research, testing, development and commercialisation of composite armour products in a number of areas: personal body armour, rotorcraft armour, vehicle armour and potentially infrastructure armour. It also intends to design and licence armour alloy pre-cursor materials which can be used as substrates in armour manufacturing.

The Group currently has two products – a body armour "trauma" plate and a body armour "standalone" plate, which both commenced production in October 2007. The Company has manufactured approximately 350 plates of body armour and expects to manufacture up to 600 plates of body armour by the end of 2007.

The key advantage of the Armor Designs "standalone" body armour product over competing products is its combined features of triple curve geometry, light weight, multi-shot resistance and the absence of solid ceramic materials. The absence of solid ceramic materials in the body armour plates is important in that solid ceramic materials are very brittle and have a fast crack propagation rate. The Group is developing several industry ballistic standard designs with different weights and different price points.

Each of the products being developed by the Group is based upon a generic synthetic manufacturing process called VCM. The VCM process involves the creation of a computerised model into which can be inputted the specific tolerances and design constraints of a proposed product. The model then adjusts the composition of the material until the required properties are achieved. The VCM process gives the Group the potential to rapidly develop new composite armour products which might consist of various materials, such as metals, ceramics, resins and/or fibres, which in combination might share the same or better resistance to penetration as existing armour equivalents but which are, potentially, lighter and more versatile. The VCM technology is the subject of several US and international patents and patent applications, which are owned by Aztec IP LLC, a company wholly owned by Dr. James St Ville, and which are exclusively licensed to AD LLC in the field of use of synthetic armour. Dr. James St. Ville is specified as the inventor of the VCM process on the vast majority of the Patents and as joint inventor on the remaining Patents. At Admission, Dr. James St. Ville, the Chief Executive Officer and President of the Company, will own or control 85.93 per cent. of the issued share capital of the Company.

Each product is required to undergo an extensive programme of development, consisting of three distinct phases – research and development, operational testing and evaluation and, finally, production. The Group's body armour products are in the production stage, the rotorcraft product is in the operational testing and evaluation phase and the remaining products are in the research and development phase.

2. Details of the Placing & Use of Proceeds

The Company intends to raise approximately US$16 million, before expenses, by issuing 1,600,000 Common Shares at a price of US$10 per share pursuant to a placing in conjunction with and conditional on Admission. These Common Shares will constitute approximately 6.17 per cent. of the Company's Enlarged Share Capital. The net proceeds of the Placing will be used for, amongst other things:

- development of the Group's body armour, rotorcraft armour, commercial vehicle armour, military vehicle armour and infrastructure product lines;

- development of an armour mass production facility; and
- establishing a sales and marketing function for the Group.

On Admission, the Company will have 25,922,500 Common Shares in issue and a market capitalisation at the Placing Price of approximately US$259.23 million.

In addition, the Market Demand Arrangements will be put in place to meet demand from potential investors following Admission. The maximum number of additional Common Shares available under the Market Demand Arrangements will be 3,000,000. If all the Market Demand Shares are issued pursuant to the Market Demand Arrangements the Market Demand Shares would represent 10.37 per cent. of the Enlarged Share Capital as subsequently enlarged by the issue of all the Market Demand Shares.

3. Lock-in Arrangements

The Directors and officers of the Company and Hawthorne & York who will hold between them approximately 86.09 per cent. of the Company's Enlarged Share Capital, have each undertaken to the Company and Zimmerman Adams in compliance with Rule 7 of the AIM Rules for Companies not to directly or indirectly sell or dispose of or permit the sale or disposal of any Common Shares (subject to certain limited exceptions contained in the AIM Rules for Companies) prior to the anniversary of Admission and thereafter for a further 12 months any such disposal shall be through the broker of the Company, and in such orderly manner as the broker of the Company shall reasonably determine.

4. Risk Factors

There are a number of risk factors that are relevant to an investment in the Company. These include: (i) the Group has a limited operating history and has to date been a product development company and has no history as a company engaged in the manufacture and sale of products; (ii) Dr. James St. Ville, the CEO of the Company, indirectly controls 85.93 per cent. of the issued share capital of the company; (iii) the Company is highly dependent on the continued service of Dr. James St. Ville; (iv) the Group will be conducting business in the international arena; (v) the Company may be required to comply with US federal securities law reporting and corporate governance regulations in the future; (vi) the Directors expect to undertake further fundraisings within the next 24 months which are likely to have a dilutive effect on shareholders; (vii) a number of its products are not yet in the production phase and may never enter this phase of development; (viii) the Group's products (including the armour plate products) may not gain market acceptance; (ix) the Group's business is expected to be subject to substantial competition from larger and more experienced companies; (x) the Company may not be able to protect the intellectual property upon which the Company depends and it could incur substantial costs defending against claims that its products infringe on the proprietary rights of others; and (xi) the shares will listed on AIM.

5. Selling Restrictions

The Placing Shares will not be registered under the Securities Act or qualified under the applicable securities laws of any of the states of the US. The Overseas Placing Shares are only being offered outside the United States to non-US persons in reliance on Regulation S and the US Placing Shares are only being offered within the United States to Accredited Investors in reliance on Regulation D. The Placing Shares are accordingly subject to certain restrictions on transfer, including a restriction against hedging transactions involving the Common Shares unless conducted in compliance with the Securities Act, and the share certificates will bear legends with respect to such transfer restrictions. Placees and subsequent purchasers of the Placing Shares will be deemed to have agreed to be bound by the transfer restrictions and to have agreed not to effect transfers of the Placing Shares except to transferees who also agree to be bound by the restrictions, while the restrictions are still applicable.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS IN PART III OF THIS DOCUMENT

PART II

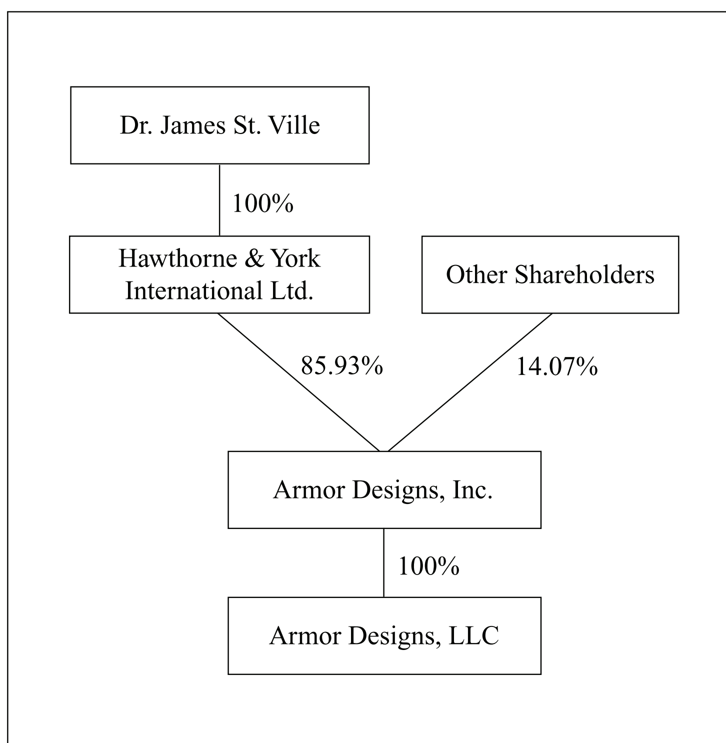
THE COMPANY

1. Introduction

Armor Designs, Inc. was incorporated in the State of Delaware, USA on 30 March 2006. The Company's principal business is that of a holding company of AD LLC.

AD LLC was organised in the State of Delaware, USA on 30 September 2004 as a subsidiary of Hawthorne & York, a company wholly-owned by Dr. James St. Ville. AD LLC was organised to develop and commercialise the volumetrically controlled manufacturing ("**VCM**") technology developed by Dr. James St. Ville within the field of the composite armour market. Further details of the VCM technology are set out in section 3 of this Part II.

The Company was incorporated as a subsidiary of Hawthorne & York and on 1 January 2007, Hawthorne & York transferred its entire interest in AD LLC to the Company, which then became the holding company and immediate parent of AD LLC. A diagram of the structure of the Group as at the date of Admission is set out below:



2. Business Overview

The Group specialises in the research, testing, development and commercialisation of composite armour products in a number of areas: personal body armour, rotorcraft armour, vehicle armour and, potentially, infrastructure armour. It also intends to design and licence armour alloy pre-cursor materials which can be used as substrates in armour manufacturing.

The Group currently has two products that are in production, namely a body armour "standalone" plate and body armour "trauma" plate, and the Group has further body armour, vehicle armour, rotorcraft armour and infrastructure armour products in various stages of design, testing and development. The most advanced products, the two body armour products, have completed the necessary testing and evaluation required to commence sales and production of both products started in October 2007. The Company has manufactured approximately 350 plates of body armour and expects to have manufactured up to 600 plates of body armour by the end of 2007.

The products are created using a generic synthetic manufacturing process called "volumetrically controlled manufacturing" or VCM. The "standalone" body armour plate has many features and attributes, including a triple curve design, and it is made up of composite materials. The design is intended to have greater multi-shot protection over products that are based on solid ceramic substrates that can shatter, crack or explode on initial ballistic impact. The product design is intended to offer cost, weight and comfort advantages over other plates on the market. In its early stages of production, the Group expects to supply independent body armour vest manufacturers and law enforcement groups in the US.

In addition, the Company's body armour has been tested at the H. P. White test centre, which is a test centre for the US National Institute of Justice ("**NIJ**"). The Company is in various stages of negotiations with a US and an overseas military procurement office to supply body armour plates and expects the announcement of binding contracts in 2008.

The Group's other advanced product is a body armour "trauma" plate, which is also in production. This plate is designed to protect against blunt trauma, such as a punch, and penetrating trauma against a knife assault and/or against a low calibre handgun assault. The Directors believe that trauma plates require no specific certification to initiate sales.

The Group's follow-on products include its commercial vehicle and rotorcraft armour products, which are at various stages of the testing and evaluation required for entry into commercial and government markets. Providing the testing and evaluation of these products is successful, the Company plans to begin production of both these products in 2008. The initial target market for the commercial vehicle armour is the independent civilian SUV up-armouring companies that supply vehicles to high net-worth individuals across the globe. The Directors believe that its synthetic vehicle armour kits offer the up-armouring companies the benefits of modularity, reduced weight and reduced labour costs at installation. The Directors also believe that the product range has significant military applications and the Group will continue to explore opportunities for sale in this area.

In addition, the Company is currently investigating the possibility of using the same technology as is used in the body and vehicle armour products in order to armour infrastructure, such as oil and natural gas installations, buildings, stadiums and bridges. Examples in this field are moveable armoured barriers that protect works in hazardous environments and pipeline protection armour.

3. Overview of VCM Technology

Each of the products being developed by the Group, in whole or in part, is based upon a generic synthetic manufacturing process called VCM. The VCM process involves the creation of a computerised model into which can be inputted the specific tolerances and design constraints of a proposed product. The model then adjusts the composition of the material until the required properties are achieved. The VCM process gives the Group the potential to rapidly develop new composite armour products which might consist of various materials, such as metals, ceramics, resins and/or fibres, which in combination might provide the same or better resistance to penetration when compared to existing armour equivalents but which are, potentially, lighter and more versatile.

The VCM technology is the subject of several US and international patents and patent applications, which are owned by Aztec and which are exclusively licensed to AD LLC in the field of use of synthetic armour. Dr. James St. Ville is specified as the inventor of the VCM process on the vast majority of the Patents and as joint inventor on the remaining Patents. Further details of the intellectual property rights of the Group connected with the VCM technology are set out in Part VI of this document and in paragraphs 13.1 and 13.2 of Part IX of this document.

4. Composite Armour Market

Market overview

The market for body and vehicular armour in the US in 2007 was approximately US$404 million. Global market figures are not readily available but the Directors believe that the global market for body and vehicular armour in 2007 significantly exceeds this figure.

The US market for body and vehicular armour is expected to be worth approximately US$2.7 billion in aggregate over the next five years. Similarly, estimated global market figures for the next five years are not available but the Directors believe that the global market for body and vehicular armour over the next five years will also significantly exceed this figure.

Body Armour Market

In the US, sales of body armour derive primarily from the Armed Forces, Federal Government and state & local law enforcement organisations.

One of the largest customers in this market is, and is expected by the Directors for the foreseeable future to continue to be, the US Department of Defense. There are approximately 490,000 US Armed Forces Troops deployed around the world. A significant proportion are deployed in combat, peacekeeping and deterrence roles. In addition, 93,898 US Army National Guards and Reserves have been mobilized to support operations both in the US for homeland security duties and for operations globally. The Directors believe that the demand for body armour products from the US Department of Defense alone represents a very significant opportunity for the Group's body armour products.

This huge potential market is supplemented by US federal and state agencies and local government law enforcement groups which the Directors believe also represent a significant market opportunity for the Group's body armour.

The Directors believe that there is also good demand for body armour from high net worth individuals, diplomatic officials and US employees in high risk locations. This commercial sector comprises the Group's initial target market.

Vehicle Armour Market

The vehicle armour market consists of three distinct categories of vehicles:

- Military vehicle armour. Military ground vehicles fall into three categories: light tactical vehicles such as HMMWVs (which represent 39 per cent. of the total military ground vehicle armour procurement), medium and heavy tactical vehicles (which represent 27 per cent. of the total armour procurement) and ASVs, MRAP, and other mine protected vehicles. The Directors believe that both the military vehicle armour market in the US and throughout the rest of the world will be difficult to penetrate in the short term because each country operates its own procurement system and conforming to these systems will take time;

- Government vehicle armour. Although statistics are not published, the Directors believe that the markets for armoured vehicles for covert operatives and diplomatic officials in the US and in more volatile countries represent an excellent opportunity for the Company. So far as the Directors are aware, no other company produces 3D pre-forms for this market and it is therefore a target market for the Group; and

- Civilian vehicle armour (the customers of which are primarily high net worth individuals and companies wishing to protect their employees). The Directors believe that the largest markets for civilian up-armouring are Brazil, Mexico, South Africa, the Middle East and Eastern Europe.

Infrastructure Armour Market

The Directors believe that a potential market exists for the supply of armour plates to defend key infrastructure, such as oil installations, bridges, tunnels and power plants. This potential market is currently undeveloped.

Licensing Market

The Directors believe that a potential market exists for the raw material designs (e.g. ceramic and fibre designs), control systems for machinery used to produce VCM armour as well as infrastructure devices used in the execution of the VCM process (e.g. storage devices, equipment, machinery and databases). This potential market is currently undeveloped.

5. Information on the Group's Activities

Products

The Group is currently developing products in four main areas:

- Body Armour;
- Rotorcraft Armour;
- Vehicle Armour; and
- Infrastructure Armour.

Each product is required to undergo an extensive programme of development, consisting of three distinct phases. The first phase is the research and development (or R&D) phase, where the product concept is finalised, taking into consideration the specific threats the product design specifications call for, and then a new prototype material is produced and tested. The second phase of development is the operational testing and evaluation (or OT&E) phase, which involves prototype design, prototype manufacture, and extensive testing of the prototype in final form, according to the agreed upon manufacturing specifications (including testing authority, method, and location), as defined by the relevant customer. If the testing meets the specifications of the relevant customer (i.e. commercial entity, military or governmental authority), the product should then move to the final production phase. Details of the current stages of development of each of the products are set out below.

Body Armour

The body armour products consist of "stand alone", "in conjunction", and "trauma" composite armour plates which are moulded to be worn by individuals and which provide protection from bullets and other ballistic impact and damage. It is believed that in early 2008, a new set of "in conjunction" ballistic standards may be released by NIJ, so rollout of the "in conjunction" product line may be limited until then.

The key advantages of the Armor Designs body armour product over competing products are its combined features of triple curve geometry, light weight, multi-shot resistance and the absence of solid ceramic materials. The absence of solid ceramic materials in the body armour plates is important in that solid ceramic materials can be very brittle and have a fast crack propagation rate. The Group is developing several industry ballistic standard designs with different weights and different price points.

The first two Armor Designs body armour products underwent testing at H.P. White (a testing centre certified by the NIJ) in October 2007. H.P. White confirmed that both the "stand alone" plate and the "in conjunction" plate had zero penetrations of the ballistic rounds during the NIJ Level III testing. Production of these plates commenced in October 2007.

The Group has recently taken delivery of its first manufacturing press and expects to take delivery of a second manufacturing press in December 2007 and intends to order a further two manufacturing presses which it is expected will result in a combined capacity of in excess of 750,000 plates per year. The Company expects to move to a new production facility comprised of two buildings with an aggregate space of approximately 71,000 square feet in December 2007.

In 2006 AD LLC entered into an agreement with Government Contracting Services, Inc. which was recently awarded a General Services Administration Agreement for all VCM armour, which all US governmental agencies can use to purchase VCM armour. In addition, the Company's armour, which was designed for use in military vehicles, was demonstrated to one of the branches of the US Department of Defense ("**DOD**"). As a result, the Company is awaiting a possible award of an urgent requirement from that branch of the US DOD to supply a rapid prototyping service, and manufacture of body, vehicle, and rotorcraft armour products. If the urgent requirement is awarded to the Company, the Directors expect that the Company will enter into a formal agreement with that branch of the US DOD in 2008. There is no guarantee of when or if such an agreement will be entered into.

The Group intends to continue to develop its body armour product in order to achieve certification in respect of threat levels above the industry standard body armour threat level of NIJ Level III. The Group has already developed armour products which have been independently tested and determined to be at the NIJ Level IV and NIJ Level IV+.

Rotorcraft and Vehicle Armour

Rotorcraft

In September 2006, Hawthorne & York and AD LLC entered into a contract with the US Navy, through its contracting representative to evaluate the possible application of the VCM armour technology for use in certain of its helicopters. The total revenue to AD LLC from this contract to date, which has been offset against research and development costs, is approximately US$844,000. The Directors believe that additional follow-on designs and OT&E contracts may be requested.

If the rotorcraft armour product completes successfully its OT&E development phase in 2008, the Directors expect that production of this armour product will commence during 2009 if a procurement contract can be obtained.

Whilst the Directors are confident that the rotorcraft armour product will complete successfully the OT&E phase of its development, there is no guarantee of when or if this product will enter production or be purchased by any potential customer.

Commercial Vehicles

The Group has commenced pre-production design, testing and evaluation of an armouring kit for a sports utility vehicle (SUV), and it intends to market this kit to up-armouring companies for onward supply to US military and governmental authorities. This product uses similar manufacturing methodology, with some variations, to that used for the body armour product and is intended to cover up to approximately two thirds of the interior of the vehicle, leaving the windows to be protected by the up-armouring company. The Directors believe that this product will have potential advantages over existing products in that the speed with which it can be replaced in the field will be greater and its expected lighter weight will result in less wear and tear to the vehicle's engine, transmission, and suspension system.

The Group is currently in advanced discussions with a potential customer to supply armour in respect of operational SUV vehicles. The Directors expect that any contract that it is awarded will require the design of an OT&E armour kit specifically for these vehicles.

Whilst the Directors are confident that the commercial vehicle armour product will complete successfully the OT&E phase of its development, there is no guarantee of when or if this product will enter production.

Military Vehicles

The Company intends to expand its product line for vehicle armour to incorporate military vehicles. This potential product is in the R&D phase and the Group is currently investigating the threats that such vehicles are likely to face in the field in order to define the material requirements for the purposes of the VCM process. There can be no guarantee that this product will enter the OT&E and production phases.

Infrastructure Armour

The Company is currently investigating the possibility of using the VCM technology to armour key infrastructure, such as oil and natural gas installations, buildings, stadiums, and bridges. The Company has created a replica sleeve that demonstrates the moldability of the synthetic material that could be used for infrastructure products. The Directors are hopeful that the Company will commence custom designing and testing of infrastructure prototypes for potential clients as early as 2008. This product concept is at a very early stage of development.

Manufacturing

The Group's production is, in part, outsourced to a small thermal pressing company based in Los Angeles, California. Any part not outsourced will be dealt with in the Company's facility based in Phoenix, Arizona in the United States. The production site in Los Angeles, California has an annual capacity of at least 11,500 plates per year. The Company has identified a need to expand its production capabilities in order to increase production levels of its body armour product and to begin production of its up-armouring vehicle armour kits. The Company has identified a potential 71,000 sq.ft. facility which it is believed will provide the Group with sufficient space to meet its forseeable manufacturing requirements.

In addition, the Group is currently investigating opportunities for building additional production facilities in the United Kingdom and Middle East in order to service potential demand in those areas. Depending upon local requirements and other market factors, these production facilities may be operated as part of local governmental programs and may, potentially, be operated as joint ventures with third parties.

Licensing

In addition to its armour products, the Company is currently in negotiations with an extrusion equipment manufacturer in connection with the possible license by AD LLC to the manufacturer of alloy extrusion materials designed using the VCM methodology. The extrusion manufacturer and the Company are jointly working on a Request for Proposal from a potential national government customer with regard to armour designed for use in the defence of improvised explosive devices. The result of this Request for Proposal is expected in 2008.

Financing

To date, the Group has financed its operations through, amongst other things, the issue of an aggregate amount of US$9,000,000 of the Bonds and via an inter-company line of credit with Hawthorne & York.

The terms of the Bonds provide that they convert into Common Shares on Admission. The number of Bond Common Shares in issue immediately following Admission will be 1,822,500. Details of the terms of the Bonds are set out at paragraph 3.3 of Part IX of this document.

The amount outstanding under the Hawthorne & York Line of Credit at the date of this document is approximately US$3,270,000. The Hawthorne & York Line of Credit will be repaid following Admission from the proceeds of the Placing.

6. Competition in the Body Armour Market

The Directors believe that in the US body armour plate market, the Group faces competition from at least 11 other manufacturers. One of the largest of these manufacturers is Ceradyne Inc. (Nasdaq: CRDN), which is based in the US and is one of the largest armour manufacturers in the world. It had revenues of approximately US$663 million in 2006 and has recently received a US$49.2 million order for ceramic body armour. Ceradyne, Inc. provides the US Army with a majority of its body armour and is the main supplier of the US DOD and US Special Operation Command. Of the other manufacturers, US-based Armor Works had revenues of approximately US$100 million in 2006 and Coorstek, which is also based in the US, had revenues of approximately US$145 million in 2006.

So far as the Directors are aware, no plate manufacturing companies have armour design optimisation capabilities similar to those of the Group. The Group's composite triple curve plates are designed to be light and more comfortable and more ergonomic than solid ceramic plates.

7. Strategy

The Group intends to continue to develop its existing product range, while at the same time investigating potential additional applications for the VCM technology within the composite armour market.

In relation to its existing body armour product, which has commenced production, the primary focus of the Group's sales effort is expected to be governmental agencies and civilian and law enforcement markets. The Group also intends to develop additional body armour products, which will provide greater levels of protection for use in areas where threat levels demand increased protection.

The Group intends to continue development of its vehicle up-armouring product range for commercial vehicles by working with governmental agencies and vehicle manufacturers. The Group hopes to begin production of the commercial vehicle armour product in 2008 if it successfully completes its OT&E phase of development, following the completion of the Group's proposed new production facility. The Directors believe that by focussing the Group's vehicle armour sales efforts on independent up-armouring companies and on commercial car manufacturers that up-armour their own vehicles, as opposed to selling directly to governments, the Company will reduce the Group's reliance on what is

expected to be a limited number of government contracts. The Directors believe that Mexico, Colombia, Brazil, South Africa, the Middle East and Eastern Europe are likely to represent the largest potential markets for the commercial vehicle armour product.

The Group is also investigating opportunities for building additional production facilities in the United Kingdom and the Middle East in order to service anticipated demand in those areas.

8. Intellectual Property

The VCM technology is the subject of several US and international patents and patent applications, which are owned by Aztec, a company wholly owned by Dr. James St. Ville, and which are licensed to AD LLC in the field of use of synthetic armour pursuant to the Aztec Licence Agreement. A royalty of 2 per cent. of gross sales (capped at US$3,000 per quarter for 18 months from the time of first production or sub-licensing) is payable to Aztec under the Aztec Licence Agreement.

In addition, the Company licenses know-how relating to the VCM technology from Hawthorne & York, a company wholly owned by Dr. James St. Ville, pursuant to the H&Y Licence Agreement. A royalty of 4 per cent. of gross sales (capped at US$7,000 per quarter for 18 months from the time of first production or sub-licensing) is payable to Hawthorne & York under the Hawthorne & York Licence Agreement. Further details of the intellectual property rights of the Group connected with the VCM technology are set out in Part VI of this document and in paragraphs 13.1 and 13.2 of Part IX of this document.

9. Directors and Senior Management

The DGCL establishes a different governance and executive management structure from that of a typical company incorporated under English law. The control and management of the Company is divided between stockholders, a board of directors and officers of the Company. The board of directors is elected by the stockholders at a meeting called for that purpose. The board of directors is entitled to exercise its powers through committees and to appoint officers. Officers have general powers and duties of day-to-day supervision and management of the Company. For example, the functions of "Managing Director" and "Finance Director" in English companies are typically undertaken in a Delaware corporation by the chief executive officer ("**CEO**") and chief financial officer ("**CFO**"), respectively (who, in these roles, are officers and not directors, of the Company).

Directors

The Board currently comprises seven directors. Their biographical details are set out in brief below.

Robin Siegfried, aged 59, *(Non-Executive Chairman).* Robin Siegfried has 30 years experience working in composite manufacturing in the aerospace industry. In his career with NORDAM, a global aviation manufacturing and repair firm based in Oklahoma, he had a broad range of functional responsibilities and led operations in Wales, France and Singapore, becoming president/CEO of that company.

Dr. James St. Ville, aged 51, *(Chief Executive Officer and President).* Dr. James St. Ville is the founder of Armor Designs and the creator of the VCM process. Dr. James St. Ville has an MS in Bioengineering from the University of California, San Diego, an MD from the University of Oklahoma and an MBA in International Management from the American Graduate School of International Management (Thunderbird University).

Andy Volkmann, aged 41, *(Chief Financial Officer).* Prior to his appointment as Chief Financial Officer in November 2007 Mr. Volkmann was the Chief Operating Officer of Enstrom Candies Inc. Prior to this, Mr. Volkmann was a founding member of and Vice President of Finance and Administration for, Tellme Networks Inc. from its inception. In this position, he was responsible for the finance, accounting, human resources and information systems departments for the company as well as the development and implementation of a capital structure strategy which secured over US$240M in financing from major corporate investors. Before this, Mr. Volkmann was a member of the senior management team at Netscape Communications where he held various management positions including senior director of finance for Netscape Netcenter Web Portal and director of finance for the enterprise software division. Mr. Volkmann has also served in key finance posts for National Semiconductor and Hitachi Data Systems Inc.

Ardeshir Sidhwa, aged 40, *(Chief Operating Officer).* Prior to his appointment as Chief Operating Officer in November 2007, Dr. Sidhwa was a Senior Director of processes and operations at ST Microelectronics. Dr. Sidhwa has extensive knowledge and experience in device fabrication, material science, and manufacturing processing, and has contributed to multiple patents and publications. Prior to joining ST Microelectronics, Dr. Sidhwa was employed with Integrated Device Technology Inc. working in manufacturing processing and fabrication, materials characterization, and the assembly of microelectronic devices.

Major General Alfred Valenzuela, retired, aged 59, *(Non-executive Director).* Major General Alfred Valenzuela served in the US Army for 33 years and has been assigned to 3 Corps & 6 Divisions. He was posted in Colombia, Turkey, Peru, South Korea, Haiti, Panama, Grenada, Kuwait, El Salvador, Puerto Rico, Germany and Somalia. Highly decorated for valour and heroism, Major General Alfred Valenzuela has commanded at every level from Captain to Major General. He has created an educational foundation & gives monies to at risk children and awards scholarships to wounded US soldiers so that they can return to college.

Mary Campbell, aged 48, *(Non-executive Director).* Mary Campbell is currently founder and CEO of Blas Ltd., a corporate finance boutique. Prior to Blas, Mary Campbell was a Director of several companies including British Linen Bank, British Linen Advisers, Noble & Company Ltd. and Noble Strategic Advisors. Mary Campbell is a member of The Institute of Chartered Accountants of Scotland and between 1980 and 1986 worked at Ernst & Whinney (now Ernst & Young) in the corporate finance and audit departments.

Sir Richard Johns, aged 68, *(Non-executive Director).* In the last ten years of his RAF service Sir Richard Johns was the Director of Operations in the National Joint Headquarters for all British forces deployed during the first Gulf War (1990-1991). Soon after he was appointed Commander-in-Chief of the newly formed NATO Regional Command of Allied Forces, North West Europe charged with bringing the Headquarters to full operational capability. In 1997 Sir Richard became the Chief of the Air Staff responsible for the operational efficiency and morale of the RAF. On retirement in April 2000 he was appointed Constable and Governor of Windsor Castle, a position he will hold until February 2008.

Management

In addition, details of the key senior managers of the Group are set out below.

Mark Rome, *(Controller).* Mark Rome worked for Hawthorne & York until 2001 before transferring to AD LLC and subsequently to Armor Designs, where he is responsible for all aspects of the internal accounting function and procurement. Mr. Rome has held a variety of finance roles at senior financial manager and CFO level. Mr. Rome has an MBA from California State University and a finance degree from Arizona State University.

Ruth Covey, *(Senior Project/Operations Engineer).* Ruth Covey is responsible for the human resource function, quality systems, support services and facilities at Armor Designs. In the first half of the current financial year, the primary focus of her role moved to quality systems as opposed to human resources and support. Ms. Covey has extensive experience working in quality management for Boeing in Arizona and Applied Materials in Austin, Texas. She has a masters in International Management from Thunderbird University and a BSc in manufacturing engineering from Weber State University, Utah.

Kevin Gibbens, *(Chief Production Engineer).* Kevin Gibbens has been chief production engineer for the Group since November 2006. Mr. Gibbens is an experienced mechanical engineer with a background in composites, strength of materials, Finite Element Analysis and machine design. Prior to joining Armor Designs, he worked as a tool design engineer for Goodrich Turbo-Machinery where he was responsible for fixture design, repeatability and reproducibility studies, increased production and quality inspection. Mr. Gibbens has a Bachelors Degree in Mechanical Engineering Technology from ASU Polytechnic.

10. Advisory Consultant Panel

The Company has established an advisory consultant panel, consisting of individuals with experience in the major market sectors targeted by the Company as well as experience in public financial transactions. The following individuals whose brief biographical details are set out below are currently serving on the Company's advisory consultant panel:

William Greehey. William Greehey is a former Chairman of the Board and former CEO of Valero Energy Corporation, one of the largest refining companies in North America with approximately 22,000 employees and annual revenue of $75 billion.

The Honorable William Webster. The Honorable William Webster is a consulting partner in Milbank, Tweed, Hadley & McCloy LLP. Prior to joining them in 1991, Judge Webster was, since 1987, Director of the Central Intelligence Agency, where he headed up all the foreign intelligence agencies of the United States and directed the Central Intelligence Agency. Between 1978 and 1987 he served as Director of the Federal Bureau of Investigation and between 1973 and 1978 he served as a judge for the US Court of Appeals for the 8th Circuit.

The Honorable Scott McInnis. The Honorable Scott McInnis is a former member of the United States Congress for the State of Colorado from 1992 to 2004. He served on the US House of Representatives Ways and Means Committee from 1998 to 2004, on the US House of Representatives Natural Resources Committee from 1994 to 2004 and is the Former Chairman of the US House of Representatives Forest Subcommittee. He also served as Colorado State Legislature's House Majority Leader in 1990. He is currently a partner in the Denver office of the law firm Hogan & Hartson LLP.

R. Todd Ruppert. Todd Ruppert is President and CEO of T. Rowe Price Global Investment Services Limited. Mr. Ruppert serves on the Board of Daiwa SB Investments, one of the largest Tokyo based Japanese asset management firms, and Altus Associates, a London based private equity advisory and discretionary management firm. He is also on the Board of the Halcyon Fine Art Group (London), the World Trade Center of Baltimore/Washington DC, and Maryland Academy of Sciences, and is a trustee of Kenyon College, Blair Academy, and the Garrison Forest School. He is an Advisory Board member of the American Film Institute and a founder of the Duke of Edinburgh's US Award Scheme.

Ajitsingh Medtia. Ajitsingh Medtia is the founder of the Medtia construction company with operations in the UK and India, which specializes in property development and commercial property investment. He is the founder of Medtia Foundation which has undertaken charitable work in the UK and India and works with the Prince's Trust & Commonwealth Foundation and is an Advisory Board Member to the Ashmolean Museum (Oxford). He has a Civil and Structural Engineering background with a B. Eng (Hons) from Imperial College, London.

Colin Lloyd. Colin Lloyd was founder and CEO of KLP Group which listed on the London Stock Exchange in 1983 and was acquired in 1990 by RSCG, at which time, he was appointed to the Board as President of Marketing Services Worldwide and Chairman of UK Operations. Mr. Lloyd has been CEO of the Direct Marketing Association and Vice-President of the Federation of Direct Marketing for Europe. He is a Non-Executive Chairman of two AIM-listed companies (Interactive Prospect Targeting Holdings PLC and Motivcom plc) and a Non-Executive Director of three private companies.

The members of the Advisory Consultant Panel are compensated for their services by way of restricted stock units and/or stock appreciation rights granted pursuant to the Omnibus Incentive Plan. Further details of such compensation are set out in paragraph 9 of Part IX of this document.

11. Employees and Consultants

The Company has 16 employees all of whom are based at the Company's offices in Phoenix, Arizona save for one who is based in Washington D.C. Six of the employees are in operations, four are in research and development, two are in marketing and the remainder are in finance and administration.

The Group engages the services of a number of consultants and advisors both in the US and the UK to advise on military and other matters. Such consultants are usually compensated by way of restricted stock units and/or stock appreciation rights granted pursuant to the Omnibus Incentive Plan. Further details of such compensation are set out in paragraph 9 of Part IX of this document.

12. Options and Warrants

In addition to the Omnibus Incentive Plan arrangements outlined in paragraph 18 below, options and warrants over a total of 2,330,400 Common Shares are outstanding at the date of this document, comprising the Nomad Options, the Placing Agent Options and the Bond Warrants.

The Group has agreed, conditionally upon Admission, to grant Zimmerman Adams and the Placing Agent options to acquire 16,000 Common Shares each at the Placing Price exercisable at any time prior to the third anniversary of Admission (in the case of the Nomad Options) and the third anniversary of Admission (in the case of the Placing Agent Options). The Nomad Options are calculated to represent one per cent. of the Placing Shares and the Placing Agent Options one per cent. of the Placing Shares. Further details of the Nomad Options and the Placing Agent Options are set out in paragraph 13 of Part IX of this document.

In addition, on the conversion of the Bonds on Admission, warrants will be granted to the holders of the Bonds in respect of 1,822,500 Common Shares. The terms of the Bonds provide that on Admission the Bonds convert into Common Shares and warrants to subscribe for Common Shares. The Bond Warrants that will be in existence immediately following Admission will entitle the holders of such warrants to subscribe for an aggregate of 1,822,500 Common Shares at a subscription price of US$12.50. Further details of the terms of the Bond Warrants are set out in paragraph 3.3 of Part IX of this document.

13. Details of the Placing, use of Placing Proceeds and Reasons for Admission

The Company is seeking Admission in order to create a public market in the Common Shares, to raise the profile and status of the Company, to assist in the recruitment, retention and incentivisation of employees and to gain access to capital through a wider range of investors.

The Company intends to raise approximately US$16 million, before expenses by issuing 1,600,000 Placing Shares at the Placing Price. The Placing Shares will constitute approximately 6.17 per cent. of the Company's Enlarged Share Capital. The net proceeds of the Placing will be used for:

(i) repayment of the Hawthorne & York Line of Credit (US$3.270 million);

(ii) research and development and operational test & evaluation of products (US$884,000);

(iii) development of the Group's body armour, rotorcraft armour, commercial vehicle armour, military vehicle armour and infrastructure armour product lines; establishing a sales and marketing function for the Group; costs associated with international expansion; and the provision of working capital (US$6.455 million); and

(iv) development of an armour mass production facility (US$3.491 million).

In addition, the Market Demand Arrangements will be put in place to meet demand from potential investors following Admission. The maximum number of additional Common Shares available under the Market Demand Arrangements will be 3,000,000. If all the Market Demand Shares are issued pursuant to the Market Demand Arrangements the Market Demand Shares would represent 10.37 per cent. of the Enlarged Share Capital as subsequently enlarged by the issue of all the Market Demand Shares.

On Admission, and subject to the Placing becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms, the Company will have 25,922,500 Common Shares in issue and a market capitalisation at the Placing Price of approximately US$259.23 million. The Company, the Directors, Zimmerman Adams and the Placing Agent have entered into a Placing Agreement dated 20 December 2007 pursuant to which the Placing Agent has agreed to use reasonable endeavours as agent for the Company to procure placees to subscribe for the Overseas Placing Shares at the Placing Price. The Placing is not being underwritten. The obligations of the Placing Agent under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.00 a.m. on 31 December 2007 and the Placing Agreement not having been terminated in accordance with its terms prior to Admission.

The Company has agreed to pay certain fees and commissions to the Placing Agent in consideration of the Placing Agent's services in connection with the placing of the Overseas Placing Shares, subject to Admission having occurred, as more fully described in paragraph 13 of Part IX of this document.

The Placing Shares being offered pursuant to the Placing will represent 6.17 per cent. of the Enlarged Share Capital of the Company. The Placing Shares will, when issued, be fully paid and non-assessable and will rank *pari passu* in all respects with the Existing Common Shares on Admission including the right to receive all dividends and other distributions declared, paid or made after Admission. The Placing Shares will be placed free of expenses. Further details of the Placing Agreement are set out in paragraph 13.4 of Part IX of this document.

The Company intends to undertake a further fundraising, which may be by way of debt or equity, within 24 months of Admission in order for it to be able to continue to implement its business plan. It is likely that the magnitude of such fundraising could be significant and, if completed by way of an issue of equity could lead to significant dilution of the Shareholders at that time. There is no guarantee that the Company will be able to raise such further financing or, in the event that it is able so to do that the terms will not be onerous.

14. Lock-in Arrangements

The Directors and officers of the Company and Hawthorne & York, who will hold between them approximately 86.09 per cent. of the Company's Enlarged Share Capital, have each undertaken to the Company and Zimmerman Adams in compliance with Rule 7 of the AIM Rules for Companies not to directly or indirectly sell or dispose of or permit the sale or disposal of any Common Shares (subject to certain limited exceptions contained in the AIM Rules for Companies) held by them prior to the anniversary of Admission and thereafter for a further 12 months any such disposal shall be through the broker of the Company, and in such orderly manner as the broker of the Company shall reasonably determine.

Under the AIM Rules for Companies, certain types of share transfers are permitted notwithstanding the lock-in arrangements including, but not limited to, (i) transfers in connection with an acquisition of the Company or tender offer, (ii) transfer or disposal of Common Shares pursuant to a court order, and (iii) transfers upon death to heirs or personal representatives.

Further details of the lock-in arrangements are set out in paragraph 13.8 of Part IX of this document.

15. Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for all of the issued and to be issued Common Shares, including the Bond Common Shares and the Placing Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Enlarged Share Capital on 31 December 2007. Upon Admission, Capita Registrars (Jersey) Limited will serve as the Registrar of the Company.

Trades of shares on AIM are generally made through the CREST system, an electronic paperless settlement system enabling securities to be evidenced and transferred electronically. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system regardless of the fact they are admitted to trading on AIM. However, Depository Interests can be settled through the CREST system, and therefore when the Enlarged Share Capital becomes eligible for transfer through CREST (as further described below), the Company, via the Registrars expect to establish a Depository Interests facility enabling CREST members to hold and transfer their interests in the Enlarged Share Capital within CREST. CREST is a voluntary system and holders of Common Shares who wish to retain share certificates shall be able to do so. The Common Shares themselves shall not be admitted to CREST. The Depository Interests will be UK securities constituted under English law which may be held and transferred through the CREST system.

Due to restrictions on transfers under the Securities Act described in Part VIII of this document, it is customary for shares in US corporations to, generally, be held in certificated form for a period of at least one year following Admission and such shares are often described as restricted shares. The Placing Shares and the Bond Common Shares will not be eligible for settlement through CREST for at least that time, unless CREST is modified to handle settlement of restricted shares. The certificates representing the Placing Shares and the Bond Common Shares will bear legends evidencing the restrictions on transfer. In addition, the Common Shares shall also be subject to restrictions on transfer under the Securities Act. Such shares are held by Shareholders whose certificates bear restrictive legends. Also, a

significant amount of the Enlarged Share Capital will be subject to lock-in arrangements (as described in paragraph 14 above) for those periods of time following Admission as described in such paragraph. At Admission, the Directors have determined that, on account of the legends and lock-ins applicable to a large proportion of the Enlarged Share Capital, no trades in Common Shares (or corresponding Depository Interests) will settle through CREST, and all Common Shares will be held in certificated form. The Overseas Placing Shares will have the CUSIP U04227 101 and ISIN USU042271010 and the US Placing Shares will have the CUSIP U04227 200 and the ISIN USU042272000.

The Company intends to apply to CREST for the Common Shares to be admitted for settlement through CREST after the first year following Admission. Once this process is complete these shares will be settled through CREST following the expiry of Securities Act restrictions applicable to such shares and dematerialisation of such shares into Depository Interests. Such restrictions on each particular block of Common Shares will expire at varying times depending on the nature of the Shareholder's relationship with the Company and the period of time since the Common Shares were acquired (and fully paid for) from the Company or an affiliate of the Company. Upon expiry of such restrictions, Shareholders will have the option of submitting their certificates for legend removal and/or dematerialisation into CREST. If a Shareholder chooses to dematerialise shares to allow for electronic trading/settlement through CREST, the FSA regulated arm of the Registrar will issue Depository Interests in respect of the underlying Common Shares being dematerialised.

Should it become possible in the future for the Common Shares to be eligible for settlement through CREST without the use of Depository Interests, the Company may arrange such facility.

16. US Federal Securities Law Restrictions on Transfer

The Placing Shares will not be registered under the Securities Act or qualified under the applicable securities laws of any of the states of the US. The Overseas Placing Shares are only being offered outside the United States to non-US persons in reliance on Regulation S and the US Placing Shares are only being offered within the United States to Accredited Investors in reliance on Regulation D. The Placing Shares are accordingly subject to certain restrictions on transfer, including a restriction against hedging transactions involving the Common Shares unless conducted in compliance with the Securities Act and the share certificates in respect of the Placing Shares will bear legends with respect to such transfer restrictions. Placees and subsequent purchasers of the Placing Shares will be deemed to have agreed to be bound by the transfer restrictions and to have agreed not to effect transfers of the Placing Shares except to transferees who also agree to be bound by the restrictions, while the restrictions are still applicable.

Further details of the transfer restrictions are set out in Part VIII of this document.

17. Corporate Governance & Relationship Agreement

The Company is governed by the DGCL, its Certificate of Incorporation and its Bylaws. The Board is responsible for the proper management through governance of the Company. The Directors recognise the value of the principles of good corporate governance and the principles embodied in the Combined Code and intend, following Admission, to take into account the Corporate Governance Guidelines for AIM companies of the Quoted Companies Alliance so far as is practicable and appropriate in the Board's determination for a public company of the Company's size, board structure, stage of development and resources.

The Directors intend that the Company will comply with all corporate governance regimes in the United States applicable to a company of the size and type of the Company. The Company is not currently required to register under the Exchange Act and so is not currently subject to SOX.

If the Company grows such that it is subsequently required to register under the Exchange Act (for example, broadly speaking, any class of its shares are held by more than 500 persons and it has $10 million or more in assets) it will become subject to SOX. Compliance with the Exchange Act and SOX would entail significant additional general and administrative expense and management attention. The Company would not be able to comply with SOX as at the date of this document.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee is chaired by Mary Campbell and will also consist of Retired Major General Alfred Valenzuela and Sir Richard Johns. A majority of the members of the committee are independent non-executive Directors. The audit committee will meet at least three times each year and will be responsible reviewing the effectiveness of the Company's financial reporting, internal control policies and procedures for the identification of risk. It is also responsible for keeping the relationship with the Company's auditors under review. The audit committee may ask any executive Director of the Company and any senior manager of the Company to attend meetings of the audit committee either regularly or by invitation. Such invitees shall have no right of attendance. The Committee shall ask a representative of the Company's auditors and the head of the Company's internal audit function to attend audit committee meetings. Each year the audit committee shall have one meeting or part of a meeting with the auditors without any executive Directors or members of management present.

The remuneration committee is chaired by Robin Siegfried and will also consist of Sir Richard Johns and Retired Major General Alfred Valenzuela. A majority of the members of the committee are independent non-executive Directors. The remuneration committee will meet at least twice a year and is responsible for determining compensation for all of the Company's senior officers and provides guidance to management on general compensation matters. In addition, the remuneration committee also provides guidance to management on organisational development activities to build an organisation that will facilitate and support its growth.

The Board intends to comply with Rule 21 of the AIM Rules relating to Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees and has adopted a Share Dealing Code for this purpose on substantially the same terms as the Model Code.

As described elsewhere in this document, the Group licences its intellectual property from both Hawthorne & York and Aztec under the H&Y Licence Agreement and the Aztec Licence Agreement respectively. Hawthorne & York is the holder of 99 per cent. of the issued share capital of the Company. The entire issued share capital of each of Hawthorne & York and Aztec are owned by Dr. James St. Ville and Dr. James St. Ville is the CEO and President of the Company. In order to minimise any potential conflicts of interest, Dr. James St. Ville, Hawthorne & York, the Company and Zimmerman Adams have entered into a relationship agreement pursuant to which Hawthorne & York and Dr. James St. Ville have undertaken that, for so long as Hawthorne & York is entitled to exercise, or control the exercise of, more than 50 per cent. of the voting rights at general meetings of the Company or is able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Company they will, amongst other things, ensure that the Group is capable at all times of operating its business in a manner that does not bring it into conflict with Hawthorne & York and its associates and that all transactions between the Group on the one hand and Hawthorne & York and/or Dr. James St. Ville on the other will be made at arm's length and on a normal commercial basis. In addition, the code of corporate governance adopted by the Board provides that the Board will conduct itself at all times in such a manner as to reduce all potential conflicts of interest that may rise as a result of the relationship between Dr. James St. Ville, Hawthorne & York and the Company. In particular, Dr. James St. Ville will not vote on any resolution put to the Board which concerns any matter relating to Hawthorne & York or Aztec.

Further details of the Relationship Agreement are set out in paragraph 13.3 of Part IX of this document.

On the basis of the manner in which it currently carries on its business, the Company is not subject to the City Code. Notwithstanding this, certain provisions intended to replicate certain rules of the City Code have been incorporated into the Certificate of Incorporation. Further details on the Certificate of Incorporation are set out in paragraph 4.2 of Part IX of this document.

18. Incentive Plan

The Directors recognise the importance of the Company's employees to the performance of the Company's business and believe that performance based share incentives are an effective way to motivate and retain high calibre employees and to align the interests of the management and key employees. The Company has implemented the Omnibus Incentive Plan as part of its incentive arrangements. Please see paragraph 9 of Part IX of this document for details of the Omnibus Incentive Plan.

19. Dividend Policy

The Directors consider the Company to be in a growth stage. Accordingly, the Company does not anticipate paying dividends to Shareholders in the near future, and will instead use available earnings to grow and improve the Company's business.

The declaration and payment by the Company of any future dividends on the Common Shares will depend on the results of the Company's operations, its financial condition, cash requirements and prospects, the distributable reserves of the Company and other factors deemed by the Board to be relevant at the time.

20. Current Trading and Prospects

The Company is a development stage company and has incurred losses since incorporation in March 2006. As the Company seeks customers for its body amour products and continues to develop its other products it is expected that theses losses will continue. The Directors intend to build near term revenue streams through the pursuit of markets for the Groups body amour products. The attention of investors is drawn to the statement made in Part III of this document regarding Risk Factors.

21. Taxation

The attention of investors is drawn to the information regarding UK taxation and US taxation, insofar as it may be applicable to UK residents in relation to the Placing and Admission, set out in paragraph 16 of Part IX of this document. All information in this document in relation to taxation is intended only as a general guide to the current tax position for UK investors as at the date of this document and is not intended to constitute personal tax advice for any person. You are strongly advised to consult your own independent professional tax advisers regarding the tax consequences of purchasing and owning the Company's Common Shares.

22. Further Information

The attention of prospective investors is drawn to the remainder of this document and you are urged not to rely on summaries or individual parts only and to carefully review Part III of this document, which contains certain risk factors relating to any investment in the Company and to Part IX of this document which contains further additional information on the Company.

PART III

RISK FACTORS

In addition to the other relevant information set out in this document, the Directors believe the following specific risk factors should be considered carefully by potential investors in evaluating whether to make an investment in the Common Shares. An investment in the Company may not be suitable for all potential investors. If you are in any doubt about the action you should take, you should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. The risks listed below are not set out in any particular order of priority. If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the trading price of the Common Shares could decline and you may lose part or all of your investment. Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. The risks listed below do not necessarily comprise all those associated with an investment in the Company and additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial and are not set out below, may also have an adverse effect upon the Company.

Risks Related to the Business

Limited operating history; Uncertainty of future profitability

The Company has a limited operating history and its business is subject to all of the risks inherent in the establishment of a new business enterprise. The Company's likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with this development and expansion. There can be no assurance that the products developed and marketed by the Company will be successfully commercialised. Even if the Company is successful in raising all monies required to fund the launch of these new products, there is no assurance that the distribution of these products and/or providing of such services will result in financial success for the Company.

Dependence on Dr. James St. Ville

The Company's future operations and success depend to a materially significant degree upon the continued service of Dr. James St. Ville (Chief Executive Officer and President), whom the Company is highly dependent upon in the development of its products and the utilisation of the VCM technology. If Dr. James St. Ville terminates his employment with the Company, such a departure may have a material adverse effect on the business of the Company. Dr. James St. Ville has entered into a service agreement with the Company, the main terms of which are set out in paragraph 8 of Part IX of this document.

Single Shareholder with Significant Shareholding

At Admission Dr. James St. Ville will indirectly control 85.93 per cent. of the voting rights of the Company through his shareholding in Hawthorne & York. The Relationship Agreement has been entered into by, amongst others, Hawthorne & York and the Company with the objective of enabling the Company to operate its business in a manner that does not bring it into conflict with Hawthorne & York. In addition the Board intends to conduct itself at all times in such a manner as to reduce all potential conflicts of interests that may arise as a result of the relationship between Dr. James St. Ville, Hawthorne & York and the Company. Notwithstanding this and the Relationship Agreement, as the indirect controller of 85.93 per cent. of the voting rights of the Company through his shareholding in Hawthorne & York, Dr. James St. Ville will be able to exercise a significant amount of control over the Company. Where the consent of 50 per cent. or more of shareholders is required, the consent of Hawthorne & York (and accordingly of Dr. James St. Ville) will be required.

Expanding operations; Management of growth

The Company expects to experience rapid growth, which will place a significant strain on the Company's financial, managerial and operational resources. In order to achieve and manage growth effectively, the Company must continue to improve and expand its operational and financial

management capabilities. Moreover, the Company will need to increase staffing and effectively train, motivate and manage its employees. The Company has recently appointed a new Chief Financial Officer and Chief Operating Officer and the ability of the newly appointed members of the management team to work effectively with existing management will be key to the success of the Company's development plans. Failure to manage growth effectively could harm the Company's business, financial condition or results of operations.

Transition to manufacturing

The Company's business has to date been focussed on the development and testing of products based upon the VCM technology. As the Company's business develops the Company will need to increase its capability for the manufacture and sale of those products whilst retaining its development and testing capabilities. The transition from a research and development company to a manufacturing company involves inherent risks and challenges and a failure by the Company to meet those challenges could have an adverse effect on the Company's business, financial condition and results of operations.

International operations

The Directors expect that they will be conducting business in foreign countries. This involves inherent risks, including, but not limited to:

- difficulties in staffing, funding and managing foreign operations;
- unexpected changes in regulatory requirements;
- export restrictions;
- tariffs and other trade barriers;
- difficulties in protecting intellectual property rights;
- fluctuations in currency exchange rates; and
- potentially adverse tax consequences.

If the Company were to experience any of the difficulties listed above, or other difficulties, the Company's international operations and financial condition may suffer and cause the Company to reduce or discontinue its international operations.

The Company will incur increased costs as a result of being a public company

Rules and regulations applicable to public companies will increase the Company's legal, accounting and other expenses, including the cost of directors' and officers' liability insurance and the costs of maintaining adequate internal and disclosure controls and compliance with reporting requirements of the London Stock Exchange. In addition, the Company will be subject to compliance with new rules relating to the independence and operation of its Board, including rules and regulations relating to corporate governance, which may result in increased general and administrative costs and adversely impact the Company's ability to achieve profitability. Compliance requires significant management attention resulting in a diversion of management from revenue-generating activities to compliance activities. It may be more difficult for the Company to attract and retain suitably qualified persons to serve on the Board due to increased risks of liability to Directors under the regulations and requirements of a public company.

The Company may be required to comply with US federal securities law reporting and corporate governance regulations in the future

Under Section 12(g) and Rule 12g-l of the Exchange Act, companies that exceed certain size parameters must register under the Exchange Act and file annual and other reports with the US Securities and Exchange Commission. In particular, any company which has $10 million or more in assets on the last day of its most recent fiscal year and any class of equity securities held by 500 or more record holders, wherever resident, is required to register under the Exchange Act. This registration and compliance would be required even though the Company will not have conducted a registered offering in the US or listed its securities on any US trading market. Although the Company does not currently exceed the shareholder threshold, Admission of the Common Shares on AIM and subsequent trading of the

Common Shares through this market will likely increase the number of record holders of the Company's Common Shares, and the Company will not be able to control how many record holders it may have in the future. In addition, if the Company is required to register under the Exchange Act, it will also become subject to SOX, and possibly the internal controls assessment requirements of Section 404 under SOX.

Compliance with the Exchange Act and SOX would entail significant additional general and administrative expense. Compliance would also require significant management attention, resulting in a diversion of management from revenue-generating activities to compliance activities. The Company may not have the resources or may otherwise be unable to comply with the reforms required by these regulations, and in particular, the Company could be required to make significant adaptations to its financial reporting and processes. Any of the above or other related implications of being subject to these regulations could materially and adversely impair the Company's results of operations and cash flow.

The Company may not be successful in hiring and retaining key employees

The Company's future success depends on its ability to identify, attract, hire, retain and motivate other well-qualified managerial, technical, sales and marketing personnel. There can be no assurance that these professionals will be available in the market, or that the Company will be able to retain existing professionals or to meet or to continue to meet their compensation requirements. Furthermore, the cost base in relation to such compensation, which may include equity compensation, may increase significantly which could have a material adverse effect on the Company. Failure to establish and maintain an effective management team and work force could adversely affect the Company's ability to operate, grow and manage its business.

Additional financing

The Company is currently dependent on external financing to fund operations, product development and continued expansion. Unless it generates cash flow from operations sufficient to satisfy ongoing cash requirements, the Company may be required to seek alternative means for financing operations and capital expenditures and/or postpone or eliminate certain investments or expenditures. The Directors anticipate that the Company will have to undertake a further fundraising, which may be by way of debt or equity, within 24 months of Admission in order for it to be able to continue to implement its business plan. It is likely that the magnitude of such fundraising could be significant and, if completed by way of an issue of equity could lead to significant dilution of Shareholders at that time. Additional financing may not be available on acceptable terms, or at all, and the Company's inability to obtain additional financing or generate sufficient cash from operations could require the Company to reduce or eliminate expenditures for capital equipment, research and development, production or marketing of products, or otherwise curtail or discontinue its operations, which could have a material adverse effect on its business, financial condition and results of operations.

Company's dependence on its suppliers

The Company may be dependent on a limited number of suppliers for components for its products, production machinery and facilities. There is an inherent risk that certain components will be unavailable for prompt delivery or, in some cases, discontinued. The Company will have limited control over third-party manufacturers and suppliers as to quality controls, timeliness of production, deliveries and various other factors. Should the availability of certain components be effected, it could force the Company to develop alternative designs or products using other components or materials, which could add to the cost of goods sold, compromise delivery commitments, change the performance specifications or cause delays due to testing requirements. If the Company is unable to obtain materials in a timely manner, at an acceptable cost, or at all, it may need to select new suppliers and redesign or reconstruct the processes used to build its products. Such delays could materially adversely affect the business, results from operations, and financial condition of the Company.

The Company does not currently have production facilities sufficient to execute its business plan

The Company's current production facility only has limited production capability, which will be sufficient for supporting only the first two years of the Company's business plan and, consequently, the Company will be required to invest in substantial new production lines in order to manufacture products in sufficient volume to generate sales and cash flow. There can be no assurance that these production

lines, when completed, will operate as expected and any delay in completing these production lines or establishing efficient operating capabilities could have a material adverse effect on the ability of the Company to manufacture its products and meet its sales objectives and requirements.

R&D Risks and OT&E Risks

Whilst the Directors are confident that the military vehicle armour product will complete successfully the R&D phase of its development, there can be no guarantee that this product will enter the OT&E and production phases.

Whilst the Directors are confident that the rotorcraft armour product will complete successfully the OT&E phase of its development, there is no guarantee of when or if this product will enter production or be purchased by any prospective customers.

Whilst the Directors are confident that the commercial vehicle armour product will complete successfully the OT&E phase of its development, there is no guarantee of when or if this product will enter production or be purchased by any prospective customers.

The Company intends to market its products to a limited customer base

The Company's business may depend on a limited number of customers. If the Company fails to attract customers, if any customers the Company does attract terminate or reduce their contracts with the Company or if the Company cannot obtain additional contracts in the future, revenues may not be generated or may decline and results of operations will be adversely affected.

The Company intends to market its products to governmental agencies and their contractors and will be exposed to risks inherent in government contracting

The Company expects to be dependent, directly or indirectly, upon contracts with governmental agencies and their contractors for a portion of its revenue that could be material to its business. As a result, the Company may face certain risks, including budget restraints and fixed price contracts. General political and economic conditions, which are difficult to predict accurately, directly and indirectly affect the quantity and allocation of expenditures by government agencies. The timing of incremental funding commitments to existing, but partially funded, contracts can be affected by these factors. Therefore, cutbacks or re-allocations in the United States or other government budgets could have an adverse impact on results of operations as long as research and development contracts remain an important element of the Company's business.

A reduction of United States armed forces levels in Iraq may affect results of operations

Since the invasion of Iraq by the United States and other forces in March 2003, there have been increasing orders from the United States military for the up-armouring of vehicles and the armouring of other tactical vehicles. The current market for up-armouring and the armouring of tactical vehicles result, in part, from the particular combat situations encountered by the United States military in Iraq, including the use of improvised explosive devices by opposing forces. The Company cannot be certain of the materiality of the impact on the growth of the up-armouring market if the United States military were to reduce its armed forces levels or withdraw completely from Iraq. A significant reduction in orders from the United States military could have a material adverse effect on the up-armouring market overall and specifically on the Company's business, financial condition, results of operations and liquidity.

The Company's products may not gain market acceptance once completed

The Company's business plan envisages that a number of its products will become components in the final products of its customers. Accordingly, to gain market acceptance, the Company must demonstrate that its products will provide advantages to the manufacturers of final products, including lengthening the life span and enhancing the operating characteristics of their products, providing such manufacturers with competitive advantages or assisting such manufacturers in complying with existing or new government regulations affecting their products. There can be no assurance that the Company's products will be able to achieve any of these advantages for its customers. Furthermore, even if the Company is able to demonstrate such advantages, there can be no assurance that such manufacturers will elect to incorporate the Company's products into their final products, or if they do, that the Company's products will be able to meet new manufacturing requirements. Additionally, there can be no assurance that the

Company's relationships with its manufacturer customers will ultimately lead to volume orders for its products. The failure of manufacturers to incorporate the Company's products into their final products could have a material adverse effect on the Company's business, financial condition, results of operations and liquidity.

Product liability

The Company may be subject to personal liability claims for personal injury or property damage claims relating to the use of its products and claims for breach of warranties, and its insurance may not be adequate to cover such claims. As a result, the costs of defending as well as any uninsured losses awarded against the Company in a significant lawsuit or claim, or series of lawsuits or claims, could adversely affect business operations and financial results. Any claim against the Company for personal injury, property damage or breach of warranty could result in negative publicity. Even if it is found not liable, the costs of defending a lawsuit can be high. The Company does not currently maintain insurance for this type of liability. Additionally, even if the Company does purchase insurance, it may experience legal claims outside the scope of its insurance coverage or in excess of its insurance coverage. Any unexpected legal costs as well as uninsured losses or assessments could materially adversely affect the business, financial condition, and results of operations of the Company.

The Company's business is expected to be subject to substantial competition from larger and more experienced companies

The Company expects to be subject to significant competition that could harm its ability to win business and increase the price pressure on its products. The Company faces potential competition from a wide variety of firms, including large, multinational vehicle, defense and aerospace firms. Its potential competitors have substantially larger financial, marketing and technological resources, which may make it generally difficult to win new contracts and the Company may not be able to compete successfully. Certain defense related contractors operate existing facilities, and have longer operating histories than the Company, presence in key markets, greater name recognition, larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources. These potential competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. Competitors may also be able to devote greater resources to the promotion and sale of their products. Moreover, the Company may not have sufficient resources to undertake the continuing research and development necessary to remain competitive. Competitors may have established relationships among themselves or with third parties to increase their ability to address client needs. As a result, new competitors or alliances among competitors may emerge and compete more effectively than the Company. Industry consolidation could result in the emergence of companies that are better able to compete against the Company's products.

The Company's business is expected to be subject to substantial competitive product innovation requiring continued investment in research and development to achieve and maintain competitiveness

Competitors may attempt to independently develop similar designs or duplicate the Company's technologies, products or designs. Competitors may intentionally or unintentionally infringe upon or misappropriate products or proprietary information. Litigation may be necessary to enforce intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time consuming and costly. Any patents or proprietary technologies owned by or licensed to the Company relating to current or future products may be challenged, invalidated or circumvented or the rights granted thereunder may not be held valid if subsequently challenged. The Company has not undertaken or conducted any comprehensive patent infringement searches or studies. If any third parties hold any conflicting rights, the Company may be required to stop making, using or selling its products or to obtain licenses from and pay royalties to others. Further, in such event, the Company may not be able to obtain or maintain any such licenses on acceptable terms, if at all. The Company's products are based on technological innovations. Consequently, the life cycles of some of the Company's products could be relatively short. Commercial success depends significantly on the Company's ability to establish and maintain a competitive position in this field. The Company's products may not become or remain competitive in light of technological developments by others. Competitors may succeed in discovering and developing new technologies before the Company, rendering the Company's products, less competitive, less desirable or obsolete.

Technological advances, the introduction of new products and new design and manufacturing techniques could adversely affect the Company's operations unless it is able to adapt to the resulting change in conditions

The Company's success and competitive position will depend to a significant extent upon its proprietary technology. The Company must make significant investments to continue to develop and refine its technologies. The Company will be required to expend substantial funds for and commit significant resources to continuing research and development activities, the engagement of additional engineering and other technical personnel, the purchase of advanced design, production and test equipment, and the enhancement of design and manufacturing processes and techniques. Future operating results will depend to a significant extent on the ability of the Company to provide adequate design and manufacturing services for new products. Because of the complexity of the Company's products, it may experience delays from time to time in completing the design and manufacture of new product solutions. In addition, there can be no assurance that any new product solutions will receive or maintain customer or market acceptance. If the Company is unable to design and manufacture solutions for new products of its customers on a timely and cost effective basis, this could have a material adverse effect on the Company's business, financial condition, results of operations and liquidity.

The Company must comply with environmental regulations and is subject to expensive penalties and clean up costs in the event of any violation

The Company is subject to federal, state, local and foreign laws and regulations regarding protection of the environment, including air, water and soil. The manufacture of the Company's products may involve the use, handling, storage, and contracting for recycling or disposal of, hazardous or toxic substances or wastes, including environmentally sensitive materials. The Company must comply with certain requirements for the use, management, handling, and disposal of these materials. The Company may elect not to maintain insurance for pollutant clean up and removal. If it is found responsible for any hazardous contamination or fails to comply with applicable regulations, the Company may have to pay material fines or penalties or perform costly clean up. Even if it is charged and later found not to be responsible for such contamination or clean up, the cost of defending the charges could be high. In addition, new environmental regulations could impose additional costs of compliance, which could adversely affect the Company's business.

Aztec, Hawthorne & York and the Company may not be able to protect adequately the intellectual property upon which the Company depends, and the Company could incur substantial costs defending against claims that its products infringe on the proprietary rights of others

The Company's ability to compete effectively will depend, in part, on the ability of Aztec, Hawthorne & York and the Company to protect their proprietary technologies, systems, designs and manufacturing processes. The Company relies on patents and trademarks to protect certain of its intellectual property, including certain of the intellectual property licensed from Aztec and Hawthorne & York to AD LLC. However, some of Aztec's, Hawthorne & York's and the Company's intellectual property is not covered by any patent, patent application or other statutory registration and is therefore protected by the Company through a series of policies and procedures related to the protection by the Company of the confidentiality of such intellectual property. Moreover, the Company does not know whether any of the pending patent applications, with regard to which it currently holds technology licenses, will result in the issue of patents or, in the case of patents issued or to be issued, that the claims allowed are or will be sufficiently broad to protect its technology or processes. Even if all of the patent applications with regard to which the Company holds licenses issue and are sufficiently broad, these patents may be challenged or invalidated. The Company could incur substantial costs in prosecuting or defending patent infringement suits or otherwise protecting its intellectual property rights. The Company does not know whether Aztec, Hawthorne & York or the Company have been or will be completely successful in safeguarding and maintaining their respective proprietary rights. Moreover, patent applications filed in foreign countries may be subject to laws, rules and procedures that are substantially different from those of the United States, and any resulting foreign patents may be difficult and expensive to enforce. In addition, the Company does not know whether the United States Patent and Trademark Office will grant federal registrations based on trademark applications the Company may file in the future. Even if federal registrations are granted, the Company's trademark rights may be challenged and the Company could incur substantial costs in prosecuting or defending trademark infringement actions.

Hawthorne & York and the Company rely, in part, on contractual provisions to protect their trade secrets and proprietary knowledge

Confidentiality agreements to which the Company or Hawthorne & York is a party may be breached, and the Company and Hawthorne & York may not have adequate remedies for any breach. Hawthorne & York's trade secrets and the Company's trade secrets may also become known without breach of such agreements or may be independently developed by competitors. An inability to maintain the proprietary nature of technology and processes could allow competitors to limit or eliminate any competitive advantages the Company may have.

Certain of the advances in research benefiting VCM-related technologies were developed pursuant to contracts entered into by and between Hawthorne & York and the US government or subcontracts awarded to Hawthorne & York by prime contractors to the US government

United States federal government regulations that are contained in prime contracts with the federal government and routinely in subcontracts with prime contractors require the granting to the federal government of broad unlimited license rights in and to inventions, technical data and software developed, first conceived or actually reduced to practice in the performance of a contract with the federal government. Technology developed by Hawthorne & York as a prime contractor to the US government or as a subcontractor at any tier may be subject to such broad license rights, allowing the federal government to utilize such technology for any purpose and in any manner and to have or permit others to do so.

Conflict of interests

Dr. James St. Ville owns all of the equity in Hawthorne & York and Aztec, respectively. Hawthorne & York owns 99 per cent. of the issued share capital of the Company at the date of this document. Dr. James St. Ville is the President of Hawthorne & York, and the President and Chief Executive Officer of the Company. The Group licenses all of its intellectual property relating to its core technology from Aztec and Hawthorne & York, respectively. Although the interests of the Company, Dr. James St. Ville, Hawthorne & York and Aztec are expected to remain aligned, there may be circumstances in which the interests of the Company, Dr. James St. Ville, Hawthorne & York and Aztec may be in conflict, potentially to a significant extent.

Hawthorne & York and Aztec own the intellectual property relating to the VCM technology and the Company is dependent upon Hawthorne & York and Aztec to honour their respective contractual commitments to license the intellectual property to AD LLC

Hawthorne & York and Aztec own the intellectual property rights to the VCM technology on which the business plan of the Company is completely reliant. The Company's only rights to the intellectual property are based upon contractual licensing arrangements between AD LLC and Hawthorne & York and Aztec, which will continue to hold and manage the ownership rights in the intellectual property licensed to AD LLC. The interests of Hawthorne & York and Aztec with respect to the intellectual property licensed to AD LLC as well as the related operations of Hawthorne & York and its business objectives could be different from and adverse to the interests of the Company, AD LLC and their respective shareholders, members and bondholders. The licence of patents under the Aztec License Agreement and of copyrighted works and technology under the H&Y License Agreement are subject to certain reservations to Aztec and Hawthorne & York respectively to use the relevant licensed intellectual property themselves. These are broadly drawn reservations permitting use for any purpose including, theoretically, in competition with Armor in the field of use covered by the licenses. The Directors do not believe this to be the case by virtue of the methodology and process described in the Patents. Failure of either Hawthorne & York or Aztec to observe its commitment to AD LLC to license the VCM-related intellectual property exclusively to AD LLC in the field of synthetic armour could result in competition that may have a material adverse effect on the Group's business and operations. Legal remedies available to the Company or AD LLC under such circumstances could be limited, expensive and slow to take effect.

The Company may be subject to a referral to the Committee on Foreign Investment in the United States

Section 721 of the Defense Production Act of 1950, as amended by the Foreign Investment and National Security Act of 2007, creates an interagency body, the Committee on Foreign Investment in the United States ("**CFIUS**"), which advises the United States President on foreign investments in U.S. businesses

where such investment may affect national security. The President has the power under Section 721 to suspend, prohibit, or seek divestiture of a merger, acquisition, or takeover of a U.S. business by a foreign person or entity that the President, upon advice from CFIUS, determines may threaten the national security. Among the items of information examined by CFIUS with respect to a U.S. business that may be merged, acquired or taken over by a foreign person or entity are: (i) its current and past (within the last 3 years) contracts with U.S. government agencies with national defense responsibilities, including any component of the Department of Defense; (ii) each current or past (within the last 5 years) contract involving information, technology or data that is classified; (iii) those of its products or services that have military applications; and (iv) whether the products or technical data of the U.S. business are subject to license under the U.S. Export Administration Regulations or the U.S. International Traffic in Arms Regulations. Foreign investments in U.S. businesses may be scrutinized by CFIUS pursuant to a voluntary filing by a party or parties to the transaction, or by unilateral decision of CFIUS. There are two levels of possible examination, a 30 day review, followed by a 45 day investigation. At the end of either the review or the investigation, unless CFIUS either determines that there is no national security concern or that any concern has been mitigated by an agreement with the parties, the matter is referred to the President, who has 15 days within which to act. Thus, the total possible length of a CFIUS action is 90 days. Ordinarily, a passive investment in the voting securities of a U.S. business, i.e. an investment made solely for the purpose of investment and not with the intention of determining or directing the basic business decisions of the issuer, is not a transaction subject to CFIUS review or investigation. Historically, holding 10 per cent. or less of the outstanding voting securities of a U.S. business has been considered such an investment, absent facts or circumstances that suggest otherwise. The Company believes that the placing of the Overseas Placing Shares will not result in the acquisition of control of the Company by a foreign person or entity. The Company further believes that it would know, based on the incorporation into the Company's Bylaws of the Disclosure and Transparency Rules and section 793 of the 2006 Act, of the acquisition by any non-U.S. person of Common Shares at or in excess of 3 per cent. However, the Company is not in a position to assure that a non-U.S. person could not acquire at or above 10 per cent. of the voting shares in the Company at some future date or that shares acquired by foreign investors would be solely for investment. It is therefore possible that, based on a non-US investment in the Company, the Company or a future non-US investor could decide it necessary and appropriate to file a voluntary notice of a foreign investment in the company with CFIUS, or that CFIUS could launch a review of such a foreign acquisition unilaterally.

Risks Relating to the Common Shares

The Common Shares will be listed on AIM, and shares that are listed on AIM are perceived to be riskier and less liquid than shares trading on certain other exchanges or listing services

The Common Shares will be listed on AIM. An investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List, the New York Stock Exchange or NASDAQ. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of AIM and liquidity in the market for Common Shares cannot be guaranteed. In particular, the market for Common Shares may become or may be relatively illiquid, and, therefore, such Common Shares may be or may become difficult to sell. Accordingly, purchasers of the Common Shares may have a more difficult time in finding an opportunity to sell the Common Shares at an attractive price, or at all. Prospective investors should be aware that the value of an investment in the Company may go down and that the market price of the Common Shares may not reflect the underlying value of the Company. Prospective investors may therefore realise less than, or lose all of, their investment.

The trading price of the Common Shares may be volatile

Prior to the Placing, there has been no public market for the Common Shares. The share price of emerging companies can be highly volatile and shareholdings illiquid. The Placing Price has been agreed between the Placing Agent and the Company and may not be indicative of the market price for the Common Shares following Admission. Prospective investors cannot benefit from information about prior market history when making their decision to invest. The subsequent market price of the Common Shares may be subject to wide fluctuations in response to many factors, some specific to the Company

including those referred to in this Part III of the document, as well as, but not limited to, stock market fluctuations and general economic conditions or changes in political sentiment or legislative changes in the Company's industry that may substantially affect the market price of the Common Shares irrespective of the Company's actual financial, trading or operational performance.

Furthermore, technology stocks have experienced high levels of volatility in the past several years. The trading price of the Common Shares following the Placing may fluctuate substantially. The trading price of the Common Shares that will prevail in the market after the Placing may be higher or lower than the price paid in the Placing, depending on many factors, some of which are beyond the Company's control and may not be related to the Company's operating performance. These fluctuations could cause the loss of all or part of any investment in the Common Shares.

The trading of the Common Shares on AIM does not imply that there will be a liquid market for the Common Shares, and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

There may be a lack of liquidity due to the limited volume of Common Shares offered

Due to the limited volume of Common Shares that may be offered for sale or purchase from time to time and the potentially limited number of prospective buyers or sellers of Common Shares, there can be no guarantee that the market for Common Shares will remain liquid or that all buy and sell orders for the Common Shares will be fulfilled on a timely basis or at all. An active market for the Common Shares may never develop, or if it develops, may not be maintained. A lack of liquidity of the Common Shares may have a substantial adverse effect on the market price of the Common Shares.

Sales of outstanding Common Shares into the market in the future could cause the trading price of the Common Shares to drop significantly in value, even if the Company's underlying business is doing well

If the Company's existing Shareholders sell, or indicate an intention to sell, substantial amounts of Common Shares in the public market after the lock-in period expires and other legal restrictions on resale discussed in this document lapse, the trading price of Common Shares could decline. Immediately following Admission there will be 25,922,500 Common Shares issued and outstanding. Of these Common Shares, the Placing Shares to be sold in the Placing will be freely tradable, subject to the restrictions on transfer required by Regulation D and Regulation S. To the extent that a large number of Common Shares are offered for sale at the same time, the result will be significant downward pressure on the trading price of the Common Shares. Such pressure may cause the trading price of the Common Shares to decline in value without regard to the performance of the Company's business.

Trades in the Common Shares will be settled only in certificated form, which may affect their liquidity

Trades of shares on AIM are generally made through the CREST system, a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. However, due to restrictions on transfer under the Securities Act, certain of the Common Shares must be held in physical certificated form for a period of at least one year following the closing of the Placing and so those Common Shares will not be eligible for settlement through CREST during that time. The Common Shares are not registered in the United States and the certificates will bear a legend to that effect and purchasers and sellers will be required to confirm certain matters relating to their Common Shares under US securities law in connection with the transfer of the Common Shares during a restricted period after the closing of the Placing.

Accordingly, settlement of transactions in the Common Shares following Admission will not take place within the CREST system and investors will experience extended settlement periods of up to two weeks. Investors are asked to consult with their brokers. The absence of electronic trading may reduce the liquidity of the Common Shares. Potential buyers of Common Shares may perceive that these resale restrictions and legends impose a greater limitation on liquidity than apply to shares in UK-domiciled listed companies, which may make it more difficult to resell shares bearing legends than shares without legends in certain cases. Shareholders bear responsibility for compliance with applicable securities laws, and the Company urges you to consult with your broker and/or legal adviser if you have further questions.

Transfers of the Common Shares are subject to stringent transfer requirements under the Securities Act

The Common Shares have not been registered under the Securities Act or any US state securities laws. The Overseas Placing Shares are only being offered and sold to non-US persons outside the United States in reliance on Regulation S and the US Placing Shares are only being offered and sold to Accredited Investors in reliance on Regulation D. As a result, the Common Shares may be transferred or sold only in transactions registered under the Securities Act, or in accordance with exemptions from registration under the Securities Act and exemptions under applicable state securities laws.

Thus, re-sales of the Placing Shares will be subject to stringent transfer restrictions. The Placing Shares will not be admitted for trading on any US securities exchange in connection with the Placing.

Holders of the Placing Shares will have their holdings in the Company diluted immediately as a result of the conversion of the Bonds upon Admission

As set out in Part IX of this document, upon Admission, the Bonds convert into Common Shares and warrants to subscribe for Common Shares. Each Bond will convert into a number of Common Stock Units equal to the greater of either the face amount of the Bond divided by 70 per cent. of the Placing Price, or 0.09 per cent. of the Existing Common Shares, per US$100,000 principal amount of the Bond being converted. Accordingly, the conversion of the Bonds will result in immediate dilution to the holders of the Placing Shares.

Shareholders may have their holdings in the Company diluted due to additional equity fundraising or the exercise of warrants and options following Admission

The Directors expect that the Company will need to raise additional funds in the future to finance, among other things, expansion of the business, development of its product lines and the acquisitions and/or development of production facilities. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Common Shares.

In addition, as set out in Part IX of this document, warrants for up to 1,822,500 Common Shares and options for up to 507,900 Common Shares will remain outstanding following Admission. Exercise of any of these warrants or options would have a commensurately dilutive effect on the holdings of previously issued Common Shares.

Takeover Code

Except to the extent voluntarily incorporated by the Company to be administered by the Board, the Code will not apply to the Company as further described in Part VII of this document and therefore any takeover of the Company will be unregulated by UK takeover authorities. Paragraph 4 of Part IX of this document contains further details of provisions relating to takeovers.

Accounting standards warning – IFRS vs GAAP

The financial information contained in this document is presented in US Dollars ($) and has been prepared in accordance with US GAAP. The Company has not quantified the impact of the differences between IFRS and US GAAP. In making an investment decision, investors must rely on their own examination of the Group and the financial information in this document. Investors should consult their own professional advisors for an understanding of the difference between IFRS and US GAAP.

The list of risk factors set out above is not exhaustive and does not necessarily comprise all those risks associated with an investment in the Company. In particular these risk factors must be read in conjunction with those risk factors set out in the Competent Person's Report in Part V of this document.

PART IV

HISTORICAL FINANCIAL INFORMATION

PART A

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION ON ARMOR DESIGNS, INC, AND SUBSIDIARY FOR THE PERIOD FROM OCTOBER 5, 2004 TO JUNE 30, 2007

Introduction

The historical financial information on Armor Designs, Inc. and Subsidiary, set out in Part IV A has been prepared solely for the purpose of this document. The historical financial information does not constitute statutory audited accounts within the meaning of section 240 of the Companies Act 1985 (as amended).

Basis of preparation

The historical financial information has been prepared in accordance with US GAAP. The historical financial information covers the period from organization, on October 5, 2004, to June 30, 2007 and has been prepared using the accounting policies set out in note 2 on page 42.

Responsibility

The directors of Armor Designs, Inc. are responsible for the historical financial information and the contents of this document.

CONSOLIDATED BALANCE SHEETS

(A Development Stage Company)

	As at December 31 2004 $	*As at December 31 2005 $*	*As at December 31 2006 $*	*As at June 30 2007 $*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	—	—	66,621	43,610
Contracts and other receivables	17,401	—	279,322	5,120
Prepaid expenses	—	—	15,000	16,281
Total current assets	17,401	—	360,943	65,011
EQUIPMENT, net of accumulated depreciation of $467 as of June 30, 2007	—	—	—	4,433
Deposits on equipment	—	—	—	82,068
TOTAL ASSETS	17,401	—	360,943	151,512
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Line of credit – related party	1,091,529	4,083,861	3,265,117	3,334,456
Accounts payable	17,340	—	694,961	435,748
Accrued expenses	12,197	239,823	149,907	244,815
Total current liabilities	1,121,066	4,323,684	4,109,985	4,015,019
CONVERTIBLE BONDS, 10% SERIES A	—	—	2,975,000	4,150,000
SHAREHOLDERS' (DEFICIT)				
Common stock, $0.001 par value; authorised 100,000 shares; issued 50,000 shares	50	50	50	50
Additional paid-in capital	750,350	750,350	750,450	750,450
Deficit accumulated during development stage	(1,854,065)	(5,074,084)	(7,474,542)	(8,764,007)
	(1,103,665)	(4,323,684)	(6,724,042)	(8,013,507)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	17,401	—	360,943	151,512

See accompanying notes to the historical financial information

CONSOLIDATED STATEMENTS OF OPERATIONS

(A Development Stage Company)

	Period from October 5 2004 to December 31 2004	*Year Ended December 31 2005*	*Year Ended December 31 2006*	*Six months Ended June 30 2007*	*Period from October 5 2004 to June 30 2007*
	$	*$*	*$*	*$*	*$*
Revenues	—	—	—	—	—
Operating expenses:					
Research and development	1,779,353	2,992,232	1,340,248	413,388	6,525,221
General and administrative	12,515	161	543,254	525,834	1,081,764
Selling and marketing	50,000	—	19,560	28,018	97,578
Loss from operations	(1,841,868)	(2,992,393)	(1,903,062)	(967,240)	(7,704,563)
Interest expense	(12,197)	(227,626)	(497,396)	(322,225)	(1,059,444)
Loss before income taxes	(1,854,065)	(3,220,019)	(2,400,458)	(1,289,465)	(8,764,007)
Provision for income taxes	—	—	—	—	—
Net loss	(1,854,065)	(3,220,019)	(2,400,458)	(1,289,465)	(8,764,007)

See accompanying notes to the historical financial information

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(A Development Stage Company)

	Common stock	*Additional paid in capital*	*Shareholders' deficit accumulated during the development stage*	*Total shareholders' deficit*
	$	*$*	*$*	*$*
Balance, October 5, 2004				
Issuance of 50,000 shares of common stock	50	750,350	—	750,400
Net loss	—	—	(1,854,065)	(1,854,065)
Balance at December 31, 2004	50	750,350	(1,854,065)	(1,103,665)
Net loss	—	—	(3,220,019)	(3,220,019)
Balance at December 31, 2005	50	750,350	(5,074,084)	(4,323,684)
Shareholders' contributions	—	100	—	100
Net loss	—	—	(2,400,458)	(2,400,458)
Balance at December 31, 2006	50	750,450	(7,474,542)	(6,724,042)
Net loss	—	—	(1,289,465)	(1,289,465)
Balance at June 30, 2007	50	750,450	(8,764,007)	(8,013,507)

See accompanying notes to the historical financial information

CONSOLIDATED STATEMENTS OF CASH FLOWS

(A Development Stage Company)

	Period from October 5, 2004 to December 31, 2004 $	*Year ended December 31, 2005* $	*Year ended December 31, 2006* $	*Six months ended June 30, 2007* $	*Period from October 5, 2004 to June 30, 2007* $
Reconciliation of net loss to net cash used in operating activities:					
Net loss	(1,854,065)	(3,220,019)	(2,400,458)	(1,289,465)	(8,764,007)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation	—	—	—	467	467
Research and development costs charged against line of credit – related party	1,091,529	2,992,232	864,784	64,839	5,013,384
Changes in assets and liabilities:					
Contracts and other receivables	(17,401)	17,401	(279,322)	274,202	(5,120)
Prepaid expenses	—	—	(15,000)	(1,281)	(16,281)
Accounts payable and accrued expenses	29,537	210,286	605,045	(164,305)	680,563
Net cash used in operating activities	(750,400)	(100)	(1,224,951)	(1,115,543)	(3,090,994)
Cash flows from investing activities					
Purchase of equipment	—	—	—	(4,900)	(4,900)
Deposits paid for equipment	—	—	—	(82,068)	(82,068)
Net cash used in investing activities	—	—	—	(86,968)	(86,968)
Cash flows from financing activities					
Payments on line of credit – related party	—	—	(1,718,748)	(357,500)	(2,076,248)
Borrowings online of credit – related party	—	100	35,220	362,000	397,320
Proceeds from issuance of convertible bonds	—	—	2,975,000	1,175,000	4,150,000
Issuance of common stock	750,400	—	—	—	750,400
Shareholders' contributions	—	—	100	—	750,500
Net cash provided by financing activities	750,400	100	1,291,572	1,179,500	3,221,572
Net increase (decrease) in cash and cash equivalents	—	—	66,621	(23,011)	43,610
Cash and cash equivalents:					
At start of period	—	—	—	66,621	—
At end of period	—	—	66,621	43,610	43,610
Supplementary disclosure of cash flow information					
Cash paid for interest	—	—	662,976	299,185	962,161

See accompanying notes to the historical financial information

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

Note 1 – Nature of Business

Armor Designs, Inc. (the "Company") was incorporated in the State of Delaware on March 30, 2006. Armor Designs Inc. is the parent company of Armor Designs, LLC (the Subsidiary) which was organized in the State of Delaware on October 5, 2004 (together, the "Group"). On January 1, 2007, the ownership interests of the two members of the Subsidiary were transferred to the Company, with subsequent stock issued to the two owners of the Company.

Note 2 – Significant Accounting Policies

Cash and cash equivalents

For purposes of the statement of cash flows, the Group considers all cash balances with maturities of less than 90 days to be cash equivalents. While cash held by financial institutions may at times exceed federally insured limits, management believes that no material credit or market risk exposure exists due to the high quality of the institutions. The Group has not experienced any losses on such accounts.

Contracts and other receivables

Currently, contracts and other receivables are derived from related party advances and revenue due to the Group under a long-term contract. To date, the Group has not experienced any material credit losses, and therefore has not recorded an allowance for uncollectible accounts.

Equipment

Depreciation is provided using the straight-line method over an estimated useful life of seven years for equipment.

Income recognition

The Group earned income through a contract for research and development services. This contract stipulated that the Group perform research services on a best efforts basis, and the Group was paid based on pre-determined fees stated in the contract. As this contract was deemed to be a cost sharing research contract, revenue is recognized upon completion of each milestone per the contract terms, and netted against research and development expense. Direct costs related to this contract are reported as research and development expense.

Income taxes

Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), the amortization of intangible assets for tax purposes, and a net operating loss carry forward. The deferred tax assets represent the future tax return consequences of those differences, which will be taxable when the assets are recovered. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As a limited liability company, the Subsidiary's taxable income or loss is passed through to its members in accordance with their respective ownership percentage. Therefore, no provision or liability for income taxes relating to the Subsidiary has been included in the financial information.

Use of estimates

The preparation of financial information in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial information and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Research and development

Expenditure relating to the development of new products is expensed as incurred.

Basis of Consolidation

The accompanying consolidated financial information includes the operations of Armor Designs, Inc. and its wholly owned subsidiary, Armor Designs, LLC, which was organized in the State of Delaware on October 5, 2004. On January 1, 2007, the ownership interests of the two members of the Subsidiary were transferred to the Company, with stock subsequently issued to the two owners of the Company. Both the Company and the Subsidiary have a fiscal year end of December 31. In accordance with accounting principles generally accepted in the United States of America, assets and liabilities from an affiliate company transferred between entities under common control are accounted for at historical cost in a manner similar to a pooling of interests, and the financial information of previously separate companies for periods prior to the acquisition are presented as if the transfer occurred at the Subsidiary's formation on October 5, 2004. The consolidated statement of operations and statement of cash flows include the activity of the Subsidiary since formation as if it had existed throughout the period from October 5, 2004 to June 30, 2007. All significant intercompany balances and transactions have been eliminated.

Note 3 – Development Stage Operations

The Group is a development stage entity and is primarily engaged in the development of armor products. The initial focus of the Group's research and development efforts is the generation and testing of these products. The Group's success will depend on its ability to effectively develop and manufacture innovative armor for military and law enforcement use. There can be no assurance that the Group will not encounter problems during the testing stage that will cause the Group to delay production of the armor products.

The accompanying consolidated financial information does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Group to continue as a going concern.

Note 4 – Convertible Bonds

The Group had issued 10 per cent. series A convertible bonds at par of $4,150,000 at June 30, 2007 ($2,975,000 at December 31, 2006). The bonds are due on March 31, 2011. Interest is payable semi-annually in May and November, beginning November 1, 2006. The bonds are convertible by the holders into shares of the Company's common stock in the event that any of the following occur: the consummation of an initial public offering or substantial private investment, the sale of all or substantially all of the assets of the Company or a holding company, or an optional conversion event in which the Company has the option to call the bonds at par value, plus any accrued and unpaid interest after December 31, 2007. The holders of the bonds at redemption may elect to have all or a portion of their investment converted into common stock units. The conversion rate of the bonds is dependent on the type of conversion event noted above, and cannot be determined as of the report date. Each share of converted stock will carry a warrant to purchase another share of stock at 125 per cent. of a price to be determined. The proceeds were primarily used to finance the ongoing research and development of the armor products.

Total Series A convertible bonds issued at par through December 11, 2007 were $9,000,000.

Note 5 – Research and Development Costs

Expenditures for research activities relating to product development are charged to expense as incurred. In September 2006, the Subsidiary entered into a contract to provide additional product testing. For the year ended December 31, 2006, the Subsidiary earned $551,892 under this contract and for the 6 months ended June 30, 2007 the Subsidiary earned $226,941. These amounts are netted against the gross research and development costs incurred of $1,892,140 for the year ended December 31, 2006 and $640,329 for the 6 months ended June 30, 2007.

Note 6 – Related Party Transactions

Since inception, the Group has conducted the majority of its business through transactions with Hawthorne & York International Limited, a related corporation that currently owns 99 per cent. of Armor Designs, Inc.

During 2004 the Group entered into a services agreement with the related party whereby the related party provides interim management and administrative services, including accounting and human resources. Additionally, the related party has been providing interim research and development services, including labor, subcontracting, consulting, equipment and technical upgrades, materials, and other related research and development activities.

The services agreement, as it relates to research and development activities, is structured in the form of a line of credit with interest on unpaid invoices for services charged at an annual rate of 9 per cent.

Billings from the related party for general and administrative expenses, use of licensed technology, and research and development services conducted on behalf of the Group were as follows:

6 months ended June 30, 2007	$244,959
Year ended December 31, 2006	$1,708,455
Year ended December 31, 2005	$2,992,232
October 5, 2004 (inception) to December 31, 2004	$1,841,868

Included in the accompanying balance sheets is accounts payable of $564,242 due to the related party at December 31, 2006 and $309,818 at June 30, 2007, for billings related to general and administrative and research and development activities.

Interest expense to the related party was as follows:

6 months ended June 30, 2007	$149,063
Year ended December 31, 2006	$378,490
Year ended December 31, 2005	$227,626
October 5, 2004 (inception) to December 31, 2004	$12,197

The Group began repaying principal and accrued interest during 2006.

The Group paid rent and other facility occupancy costs on behalf of the related party totalling $6,860 for the year ended December 31, 2006 and $13,212 for the 6 months ended June 30, 2007. Accordingly, the accompanying consolidated balance sheets include receivables from the related party of $6,860 at December 31, 2006 and $5,120 at June 30, 2007.

Note 7 – Income Taxes

Deferred income tax assets consisted of the following at June 30, 2007:

	$
Net operating loss carry forward	721,153
Property and equipment depreciation differences	93
Amortization of start-up costs for tax reporting purposes	1,667
Valuation allowance	(722,913)
Net deferred tax asset	—

The Group has available at June 30, 2007, an unused federal and state net operating loss carryforward of $1,807,286, which may be applied against future taxable income expiring in 2027 and 2012, respectively. The Group received an additional deduction of approximately $500,000, resulting from the acquisition of the Subsidiary.

Since the Group is a development stage entity and future revenues are unpredictable, a valuation allowance equal to deferred tax benefits associated with the above items has been provided.

As a limited liability company, the Subsidiary's taxable income or loss is passed through to its members in accordance with their respective ownership percentage. Therefore, no provision or liability for income taxes relating to the Subsidiary has been included in the financial information.

Note 8 – Commitments

In June 2007 the Group extended its operating lease agreement for its facility in Phoenix, Arizona. Under the agreement, the Company is required to pay rent of $11,062 per month from July through December 2007.

As of June 30, 2007, the Group has a commitment to purchase manufacturing equipment, of which $82,068 has been paid. The remaining $246,202 is required to be paid prior to December 31, 2007.

On September 13, 2007, the Group entered into a commitment to purchase manufacturing equipment. $163,000 was paid on September 13, 2007 and the remaining $565,687 is due in December 2007.

Effective September 13, 2004, the Subsidiary entered into a contract with Hawthorne & York International Limited for use of certain licensed technological products and processes owned by a related party. The Subsidiary is obligated to pay 4 per cent. of gross sales on a quarterly basis to the related party until September 13, 2009, at such time the contract will automatically renew for five-year terms. In addition, the Subsidiary entered into a contract on the same date for use of licensed patents owned by Aztec IP Company, LLC, another related entity. Under this contract, the Subsidiary is obligated to pay the related entity 2 per cent. of gross sales on a quarterly basis. This contract has the same expiration and renewal dates.

Note 9 – Retirement Plan

Effective January 1, 2006, employees of the Group that meet certain age and service requirements are eligible to participate in the James A. St. Ville, M.D. Savings and Profit Sharing Plan. Employer matching contributions to the 401(k) component of the plan and profit sharing contributions may be made at the discretion of the Group's management. The Group did not make matching or profit sharing contributions in the period ended December 31, 2004, and the years ended December 31, 2005, and December 31, 2006, and the period ended June 30, 2007.

PART B

ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION FOR ARMOR DESIGNS, INC AND SUBSIDIARY, FOR THE PERIOD FROM ORGANISATION ON OCTOBER 5, 2004 TO JUNE 30, 2007

The Directors
Armor Designs, Inc.
3908 E Broadway
Suite 110
Phoenix
AZ, 85040
United States of America

20 December 2007

Dear Sirs

Armor Designs, Inc. and Subsidiary

We report on the historical financial information set out in Part IV A of the AIM Admission Document dated 21 December 2007. This financial information has been prepared for inclusion in the AIM admission document dated 21 December 2007 of Armor Designs, Inc. and Subsidiary, on the basis of the accounting policies set out in note 2.

Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

As described on page 37 the Directors of Armor Designs, Inc. are responsible for preparing the financial information on the basis of preparation set out page 37 and in accordance with US GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 21 December 2007, a true and fair view of the state of affairs of Armor Designs, Inc and Subsidiary, as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out on page 37 and in accordance with US GAAP as described on page 37.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

PART C

UNAUDITED HISTORICAL FINANCIAL INFORMATION ON ARMOR DESIGNS, INC AND SUBSIDIARY FOR THE 6 MONTH PERIOD TO JUNE 30, 2007 AND UNAUDITED COMPARATIVES FOR THE 6 MONTH PERIOD TO JUNE 30, 2006

Introduction

The unaudited historical financial information on Armor Designs, Inc and subsidiary set out in Part IV C has been prepared solely for the purpose of this document. The unaudited historical financial information does not constitute statutory audited accounts within the meaning of section 240 of the Companies Act 1985 (as amended).

Basis of preparation

The unaudited historical financial information has been prepared in accordance with US GAAP. The unaudited historical financial information covers the period from January 1, 2007 to June 30, 2007, with unaudited comparative information from January 1, 2006 to June 30, 2006, and has been prepared using the accounting policies set out in note 2 on page 42.

Responsibility

The directors of Armor Designs, Inc. are responsible for the unaudited historical financial information and the contents of this document.

BALANCE SHEETS

(A Development Stage Company)

	As at June 30, 2006 Unaudited $	*As at June 30, 2007 Unaudited $*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	254	43,610
Contracts and other receivables	—	5,120
Prepaid expenses	—	16,281
	254	65,011
PROPERTY AND EQUIPMENT net of accumulated depreciation of $467 as of June 30, 2007 (June 30, 2006: $nil)	—	4,433
DEPOSITS ON EQUIPMENT	—	82,068
TOTAL ASSETS	254	151,512
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Line of credit – related party	4,292,595	3,334,456
Accounts payable	—	435,748
Accrued expenses	456,928	244,815
Total current liabilities	4,749,523	4,015,019
CONVERTIBLE BONDS, 10% SERIES A	1,100,000	4,150,000
SHAREHOLDERS' (DEFICIT)		
Common Stock, $0.001 par value; authorised 100,000 Shares; Issued 50,000 Shares	50	50
Additional Paid-in Capital	750,450	750,450
Deficit accumulated during development stage	(6,599,769)	(8,764,007)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	254	151,512

See accompanying notes to the historical financial information

STATEMENTS OF OPERATIONS

(A Development Stage Company)

	Six months ended 30 June 2006 Unaudited $	*Six months ended 30 June 2007 Unaudited $*
Revenue	—	—
Operating expenses:		
Research and development	1,308,482	413,388
General and administrative	99	525,834
Selling and marketing	—	28,018
Total loss from operations	(1,308,581)	(967,240)
Interest expense	(217,104)	(322,225)
Loss before income taxes	(1,525,685)	(1,289,465)
Provision for income taxes	—	—
Net loss	(1,525,685)	(1,289,465)

See accompanying notes to the historical financial information

STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(A Development Stage Company)

	Common stock Unaudited $	*Additional paid in capital Unaudited $*	*Shareholders' deficit accumulated during the development stage $*	*Total Shareholders' deficit Unaudited $*
Balances, January 1, 2007	50	750,450	(7,474,542)	(6,724,042)
Net loss	—	—	(1,289,465)	(1,289,465)
Balances, June 30, 2007	50	750,450	(8,764,007)	(8,013,507)

	Common stock Unaudited $	*Additional paid in capital Unaudited $*	*Shareholders' deficit accumulated during the development stage Unaudited $*	*Total Shareholders' deficit Unaudited $*
Balances, January 1, 2006	50	750,350	(5,074,084)	(4,323,684)
Shareholder contributions	—	100	—	100
Net loss	—	—	(1,525,685)	(1,525,685)
Balances, June 30, 2006	50	750,450	6,599,769	(5,849,269)

See accompanying notes to the historical financial information

STATEMENTS OF CASH FLOWS

(A Development Stage Company)

	Six months ended June 30, 2006 Unaudited $	*Six months ended June 30, 2007 Unaudited $*
Cashflows from operating activities:		
Net loss	(1,525,685)	(1,289,465)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	—	467
Research and development costs charged against line of credit – related party	1,308,482	64,839
Changes in assets and liabilities:		
Contracts and other receivables	—	274,202
Prepaid expenses	—	(1,281)
Accounts payable and accrued expenses	217,105	(164,305)
Net cash used in operating activities	(98)	(1,115,543)
Cashflows from investing activities		
Purchase of property and equipment	—	(4,900)
Deposits paid for equipment	—	(82,068)
Net cash used in investing activities	—	(86,968)
Cashflows from financing activities		
Payments on line of credit – related party	(1,099,748)	(357,500)
Borrowings on line of credit – related party	—	362,000
Proceeds from issuance of convertible bonds	1,100,000	1,175,000
Shareholder contributions	100	—
Net cash provided by financing activities	352	1,179,500
Net increase (decrease) in cash and cash equivalents	254	(23,011)
Cash and cash equivalents:		
At start of period	—	66,621
At end of period	254	43,610
Supplementary disclosure of cash flow information		
Cash paid for interest	—	299,185

See accompanying notes to the historical financial information

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Nature of Business and Significant Accounting Policies

The nature of the business, the basis of consolidation, and the significant accounting policies are as stated in part IV A on page 42.

Note 2 – Convertible Bonds

The Group had issued 10 per cent. series A convertible bonds at par of $4,150,000 and $1,100,000 at June 30, 2007 and June 30, 2006, respectively. The bonds are due on March 31, 2011. Interest is payable semi-annually in May and November, beginning November 1, 2006. Total Series A convertible bonds issued at par through December 11, 2007 were $9,000,000.

Note 3 – Research and Development Costs

Expenditures for research activities relating to product development are charged to expense as incurred. In September 2006, the Group entered into a contract to provide additional product testing. For the six months ended June 30, 2007 the Group earned $226,941 under this contract (June 30, 2006: $nil). These amounts are netted against the gross research and development costs incurred of $640,329 for the six months ended June 30, 2007 (June 30, 2006: $nil).

Note 4 – Related Party Transactions

Billings from Hawthorne and York International Limited (the "related party") for general and administrative expenses, use of licensed technology, and research and development services conducted on behalf of the Group were as follows:

Six months ended June 30, 2007	$244,959
Six months ended June 30, 2006	$1,308,482

Included in the accompanying consolidated balance sheets is accounts payable of $309,818 and $nil due to the related party at June 30, 2007, and June 30, 2006, respectively, for billings related to general and administrative and research and development activities.

Interest expense to the related party was as follows:

Six months ended June 30, 2007	$149,063
Six months ended June 30, 2006	$196,761

The Group began repaying principal and accrued interest during 2006.

The Group paid rent and other facility occupancy costs on behalf of the related party totalling $13,212 and $nil for the six months ended June 30, 2007 and the six months ended June 30, 2006, respectively. Accordingly, the accompanying consolidated balance sheets include receivables from the related party of $5,120 and $nil at June 30, 2007 and June 30, 2006, respectively.

Note 5 – Income Taxes

Deferred income tax assets consisted of the following at June 30, 2007:

	$
Net operating loss carry forward	721,153
Property and equipment depreciation differences	93
Amortisation of start-up costs for tax reporting purposes	1,667
Valuation allowance	(722,913)
Net deferred tax asset	—

The Group has available at June 30, 2007, an unused federal and state net operating loss carry forward of US$1,807,286 which may be applied against future taxable income expiring in 2027 and 2012, respectively. The Group received an additional deduction of approximately US$500,000, resulting from the acquisition of the Subsidiary.

Since the Group is a development stage entity and future revenues are unpredictable, a valuation allowance equal to deferred tax benefits associated with the above items has been provided.

As a limited liability company, the Subsidiary's taxable income or loss is passed through to its members in accordance with their respective ownership percentage. Therefore, no provision or liability for income taxes relating to the Subsidiary has been included in the financial information.

Note 6 – Commitments

In June 2007 the Group extended its operating lease agreement for its facility in Phoenix, Arizona. Under the agreement, the Group is required to pay rent of $11,062 per month from July through December 2007.

As of June 30, 2007, the Group has a commitment to purchase manufacturing equipment, of which $82,068 has been paid. The remaining $246,202 is required to be paid prior to December 31, 2007.

On September 13, 2007, the Group entered into a commitment to purchase manufacturing equipment. $163,000 was paid on September 13, 2007 and the remaining $565,687 is due in December 2007.

Effective September 13, 2004, the Group entered into a contract with Hawthorne & York International Limited for use of certain licensed technological products and processes owned by a related party. AD LLC is obligated to pay 4 per cent. of gross sales on a quarterly basis to the related party until September 13, 2009, at such time the contract will automatically renew for five-year terms. In addition, AD LLC entered into a contract on the same date for use of licensed patents owned by Aztec IP Company, LLC, another related entity. Under this contract, the Group is obligated to pay the related entity 2 per cent. of gross sales on a quarterly basis. This contract has the same expiration and renewal dates.

Note 7 – Retirement Plan

Effective January 1, 2006, employees of the Group that meet certain age and service requirements are eligible to participate in the James A. St. Ville, M.D. Savings and Profit Sharing Plan. Employer matching contributions to the 401 (k) component of the plan and profit sharing contributions may be made at the discretion of the Group's management. The Group did not make matching or profit sharing contributions in the period ended June 30, 2007 or June 30, 2006.

PART V

COMPETENT PERSON'S REPORT

Ms. Joy L. Arthur
2050 San Acacio
Las Cruces, New Mexico 88001
USA

25 November 2007

The Directors
Armor Designs, Inc.
3908 E. Broadway, Suite 110
Phoenix, AZ 85040 USA

The Directors
Zimmerman Adams International Limited
35 New Broad Street House
New Broad Street
London, EC2M 1NH

Dear Sirs,

Re: Report on Volumetrically Controlled Manufacturing ("VCM")

I retired from White Sands Missile Range in March 2005 with 47 years federal service and at that time was the Senior Research Engineer, Survivability Lethality Analysis Directorate, Army Research Laboratory (ARL) at U.S. Army White Sands Missile Range (WSMR), New Mexico. I was the former ARL Program Manager for the Armor Designs, Inc, synthetic armor project in FY 2004, which involved design and test of synthetic armor throughout the government.

I received a bachelor's degree in electrical engineering from Purdue University in June 1956 and a master's degree in electronic engineering from New Mexico State University in 1966. In 1958 I joined the U.S. Army White Sands Missile Range, New Mexico, to develop missile range instrumentation and was the first woman engineer to be employed at WSMR. In 1962 I transferred to the Army Research Laboratory's Office of Missile Electronics Warfare (later called Survivability and Lethality Analysis Directorate [SLAD]) and eventually worked in the Information Electronic Protection Division of SLAD.

Up until the time of my retirement I was involved in numerous projects including determining the vulnerabilities of Army weapons such as Hawk, Patriot, MLRS, THAAD, and ATACMS, protecting sensors against frequency-agile laser threats, developing non-lethal weaponry, creating radio-frequency decoys that simulate helicopters, and detecting the unintentional radiated emissions from electronic systems and underground facilities.

Executive Summary:

Armor Designs Inc.has as a subsidiary the Armor Designs, LLC (the "Company") which is a pioneer and leader in the design and manufacture of 3D synthetic armor pre-forms. The Company plans to introduce these armor pre-forms into body armor, vehicle, energy, and homeland security sectors. Armor Designs has a proprietary technology, called Volumetrically Controlled Manufacturing ("VCM"), which has been evaluated by the U.S. Department of Defense for application in the design and manufacture of various armor materials.

As recorded in US Department of Defense reports I am aware that the scientific and engineering teams at Armor Designs have successfully demonstrated the capabilities of the VCM technology under contracts with NAVAIR (Navy rotorcraft and fixed wing), White Sands Missile Range, Redstone Arsenal, and Fort Detrick. The initial Department of Defense contracts were in the form of mathematical and prototyping proof-of-concept projects to demonstrate potential future applications for this proprietary methodology. These projects included both classified and non-classified programs.

By virtue of the fact that Armor Designs is producing body armor they have successfully moved through several corporate phases, namely, the research & development phase, operational test & evaluation phase, and now into the production phase. The company is currently undertaking the NAVAIR operational test & evaluation contract for design and prototyping of synthetic armor intended for future use in rotorcrafts. Armor Designs is testing their materials to various ballistic standards and has the capacity, know-how, and infrastructure to expand their armor designs to challenge shape charge, IED, and directed energy threat levels.

Current Technology:

Background: In 1958, the U.S.A. Department of Defense funded the development of the original source code for the governing mathematical methodology for manufacturing specifically designed for homogenous materials (e.g., metals). The mathematical methodology was known as Finite Element Analysis ("FEA"). Forty years later, Dr. James St. Ville privately funded the development of a new governing mathematical methodology intended for the precision manufacturing of heterogenous materials (i.e. composite structures). This new mathematically driven manufacturing process is known as Volumetrically Controlled Manufacturing (VCM). It involves a patented inverse FEA design optimization methodology and is a powerful tool when used for rapid prototyping of custom composite material designs such as armor, biomaterials, aerospace materials, and structural items.

Uniqueness: The VCM process is unique in that it enables design engineers to create an optimized composite material matrix design. This means that the proper quantities, orientations, and varieties of raw materials are exactingly specified for the specific application being addressed. The VCM methodology is the only process known that results in determination of proper material property coefficient sequencing within a 3D structure. It is the only process known to combine topology, geometry, and material property optimization, to give the 3D material pre-form a fixed response characteristic. Finally, it is believed the VCM is the first and only rapid prototyping methodology for composite armor.

Technology Proof-of-Concepts: As previously stated I am aware that Armor Designs has been working on a program with NAVAIR to design, prototype and test lightweight synthetic armor for use in rotorcraft. The company has successfully completed 4 of the 5 milestones on the contract. The level of armor protection being explored under this contract is to resist .30 caliber and .50 caliber threat levels, against non-armor piercing and armor piercing rounds. The last testing milestone will be attempted in conjunction with China Lake test center, which is a U.S. Navy test center for ballistic, blast, fragment, and many other threat levels, including missiles and rockets.

Armor Designs' materials were prototyped and tested to NIJ Level III and NIJ Level IV standards at Close Focus Research in Los Angeles. At the same time, Armor Designs also exceeded the Level III+ (steel core) and Level IV+ (armor piercing incendiary round) requirements. These were tested at Ben Avery shooting range in Phoenix, AZ. Since 2004, Armor Designs has successfully made many different armor materials to meet the various threat levels requirements needed to fight the global war on terrorism.

Competing Technologies: Armor Designs is apparently the first entry into the rapid prototyping world of composite armor. Certainly at this time, Armor Designs is the only known entity to have large-scale armor supercomputing design capabilities. This is critical for design of armor intended for large system integration programs and for next generation armor involving nanotechnology, phase change designs, and directed energy designs.

Future Prospects:

1) Armor Designs is one milestone away from successfully completing a contract with NAVAIR pertaining to lightweight composite armor designs intended to be used for rotorcraft armor. Upon completion of this contract, Armor Designs will be positioned to produce lightweight armor for rotorcrafts.

2) Based on preliminary theoretical analysis initiated at White Sands Missile Range, it appears feasible for Armor Designs to be able to create armor materials to shield from directed energy effects. This shield material can have sources embedded so that currents are developed on the surface that are 180 degrees out of phase with the illuminating energy source.

3) Also based on preliminary theoretical efforts at White Sands Missile Range, it appears feasible to design a material that can negate the aspect angle sensitivity and, consequently either enhance or reduce radar cross sectional area. Simply put, the target can either disappear (stealth) or be made to look like something it is not (decoy).

4) The VCM methodology can be used for other countermeasure applications due to its ability to mathematically solve large scale material matrixes.

Another possible application:

The VCM methodology appears to be logical and feasible to use in designing shields to protect electronic systems against the deleterious effects of electromagnetic interference (EMI). This complexity presented for the VCM methodology to decipher is due to the proliferation of material parameters, shapes, coupling phenomenon, operating conditions, et cetera, all dependent or inter-related to each other for overall systems design. The VCM methodology can be used to design the optimized EMI shield.

Conclusion:

I am confident that the VCM methodology has great potential for providing powerful quick reaction design and manufacturing methodologies in the development of lighter weight and more effective armor, shielding, directed energy protection, and structural integrity for countless applications. Each application of the VCM methodology is unique because of application differences and operating environment. The VCM technique can be "tweaked" to develop an optimized product for many purposes.

I hereby give my consent to the inclusion of this report and any references to it and of my name in the admission document which is being issued by Armor Designs, Inc., in connection with its application for admission to the AIM Market of the London Stock Exchange.

Sincerely yours,
Joy L. Arthur

PART VI

INTELLECTUAL PROPERTY

The Group derives the rights in the intellectual property it utilises in its business from a licence of patents from Aztec and a licence of copyrighted works and technology from Hawthorne & York.

Patent Licence

The agreement pursuant to which the Group licences the patents it utilises in its business was entered into between Aztec and AD LLC on 13 September 2004 and was subsequently amended on 30 December 2004.

Aztec granted AD LLC an exclusive, non-transferable, royalty bearing, license to exploit all classes or types of patents and patent applications (along with patents issuing on such applications) worldwide covering at least one synthetic armour product or any kit for a synthetic armour product embodying at least one of the inventions of the patents in the field of use of synthetic armour for all sectors or industries throughout the world. The royalty rate due under the license is 2 per cent. of gross sales, subject to a guaranteed minimum that is to be determined and mutually agreed upon in each field of use sector prior to production, sales, and distribution of protective armour materials. Although the license to AD LLC from Aztec is exclusive with respect to third parties, Aztec has retained rights in the patents such that Aztec can use the licensed patents for any purpose. This reservation is not intended to permit Aztec to compete with the Group by exploiting the licensed patents in the field of use covered by the license. Aztec also explicitly reserves the right to have licensed products manufactured or serviced by a third party. If Aztec consents, AD LLC receives the right to sublicense. It has been agreed between the parties that the maximum royalty payable by AD LLC to Aztec shall not exceed US$3,000 per quarter during the first 18 months following the time of first production or sub-licensing. The term of the agreement renews automatically for 5-year terms. Aztec may assign the license agreement to any person or entity without the consent of AD LLC. Aztec may terminate the agreement in the event of a material breach by, insolvency of, or a failure to make timely payment or otherwise cure a default in the requisite time period by AD LLC.

The Patents

The patents that are currently the subject of the Aztec Licence Agreement are utility patents for the VCM process itself and the necessary infrastructure to implement the process. The registered owner of each of the licensed patents is Aztec, the patents having been assigned from the relevant inventors, being either Dr. James St. Ville or in the case of three patent applications, Dr. James St Ville, Ashok Belegundu and Subramanian Rajan.

Brief details of the patents currently the subject of the Aztec Licence Agreement are set out below:

Title: METHOD AND APPARATUS FOR MANUFACTURING OBJECTS HAVING OPTIMIZED RESPONSE CHARACTERISTICS

Recorded Assignee: AZTEC

Inventors: Dr. James St. Ville

Country	*Application No./Patent No.*	*Status*	*Filing Date/Grant Date*	*Projected Expiration*
USA	5,594,651	Granted	01-14-1997	02-14-2015
USA	5,796,617	Granted	08-18-1998	02-14-2015
USA	6,263,252	Granted	07-17-2001	02-14-2015
USA	6,560,500	Granted	05-06-2003	02-14-2015
USA	10/401,540	Pending	03-31-2003	02-14-2015
USA	11/581,363	Pending	10-17-2006	02-14-2015
AU	713959	Granted	03-30-2000	02-14-2015
CA	2,213,496	Pending	02-14-1996	02-14-2015
CN	ZL96193047.0	Granted	06-23-2004	02-14-2015

Country	Application No./Patent No.	Status	Filing Date/Grant Date	Projected Expiration
CN	200310119687.2	Pending	01-20-2004	02-14-2015
EP	EP0811199	Granted	11-15-2007	02-14-2016
HK	05101584.5	Pending	02-24-2005	02-14-2015
JP	3307948	Granted	05-17-2002	02-14-2015
JP	2002-115490	Pending	02-14-1996	02-14-2015
KR	340148	Granted	05-28-2002	02-14-2015
MX	205,755	Granted	01-07-2002	02-14-2015
NZ	303490	Granted	11-12-1999	02-14-2015
NZ	335925	Granted	03-08-2001	02-14-2015
RU	97115450	Pending[1]	02-14-1996	02-14-2015
RU	2003106139	Pending	03-04-2003	02-14-2015
SG	44180	Granted	03-30-1999	02-14-2015
VN	2196	Granted	07-13-2001	02-14-2015
WO	PCT/US96/02007	Expired	02-14-1996	

[1] Abandoned in favour of RU2003106139.

General Summary: Generally disclose and claim systems and methods for manufacturing an object having a potential {x} which is generated in response to a field {f} applied thereto. The method includes the step of designing a geometric model of the object. A computerised mathematical model of the object is generated by discretising the geometric model of the object into a plurality of finite elements and defining nodes at boundaries of the elements, wherein values of the field {f} and potential {x} are specified at the nodes. A material property matrix [k] is then calculated based on the relationship {f}=[k]{x}. Material property coefficients are then extracted from the material property matrix [k] for each finite element in the computerized mathematical model and the extracted material property coefficients are compared to material property coefficients for known materials to match the extracted material property coefficients to the material property coefficients for known materials. Manufacturing parameters corresponding to the matched material property coefficients are then determined. The object is then manufactured in accordance with the determined manufacturing parameters.

Priority: Appl. No 09/865,603 now U.S. Pat. No. 6,560,500, filed May 29, 2001 is a continuation of Appl. No. 08/994,022, filed Dec 18, 1997, now U.S. Pat No. 6,263,252; which is a continuation of Appl. No. 08/778,270, filed Jan. 2 1997, now U.S. Pat. No. 5,796,617; which is a continuation of Appl. No. 08/388,580, filed Feb 14, 1995, now U.S. Pat No. 5,594,651.

Title: MANUFACTURING SYSTEM AND METHOD

Recorded Assignee: AZTEC

Inventors: Dr. James St. Ville

Country	Application No./Patent No.	Status	Filing Date/Grant Date	Projected Expiration Expiration Date
USA	60/149,896	Expired	08-23-1999	
USA	7,203,628	Granted	04-10-2007	08-23-2020
AU	2005201333	Pending	03-29-2005	08-23-2020
CA	2382938	Pending	08-23-2000	08-23-2020
CN	ZL00814630.6	Granted	05-02-2007	08-23-2020
EP	00955828.9	Pending	08-23-2000	08-23-2020
HK	03101030.7	Pending	02-13-2003	08-23-2020
IN	IN/PCT/2002/0309	Pending	08-23-2000	08-23-2020
IN	3226/DELNP/2005	Pending	07-20-2005	08-23-2020
ID	W-00200200668	Pending	08-23-2000	08-23-2020
JP	2001-519345	Pending	08-23-2000	08-23-2020
JP	2007-193939	Pending	07-25-2007	08-23-2020

Country	Application No./Patent No.	Status	Filing Date/Grant Date	Projected Expiration Expiration Date
KR	2002-7002360[2]	Pending	08-23-2000	08-23-2020
MX	2002/001875[3]	Pending	08-23-2000	08-23-2020
NZ	517954	Granted	01-13-2005	08-23-2020
RU	2002107315	Pending	08-23-2000	08-23-2020
SG	87306	Granted	02-27-2004	08-23-2020
VN	1-2002-00264	Pending	08-23-2000	08-23-2020
WO	PCT/US00/23030	Expired	08-23-2000	

[2] Notice of Allowance received.

[3] Instructions to pay issuance fees sent to foreign associate.

General Summary: Generally disclose and claim systems and methods for manufacturing an object having a potential {x} that is generated in response to a field {f} applied thereto. The systems and methods involve generating a computerised mathematical model of the object by discretising the geometric model of the object into a plurality of finite elements and specifying values of the field {f} and potential {x} relative to the finite elements. A material property matrix [k] is then calculated based on the field {f} and the potential {x}; extracting material property coefficients from the material property matrix [k] for each finite element in the computerized mathematical model and the extracted material property coefficients are compared to material property coefficients for known materials to match the extracted material property coefficients to the material property coefficients for known materials. Manufacturing equipment control parameters are determined for each volume increment of the object based on the matched material property coefficients and the manufacturing equipment is controlled in accordance with the determined manufacturing equipment control parameters to thereby manufacture the object if the matched material property coefficients correspond to a composite material, the manufacturing equipment control parameters comprise parameters for controlling composite manufacturing equipment and the controlling of the manufacturing equipment comprises controlling composite controlling manufacturing equipment. The composite material comprises structural fibres laminated in a resin matrix into which an impurity is introduced and the amount of the impurity introduced into the resin matrix is controllably variable for the respective volume increments of the object.

Priority: Claims priority from provisional Application No. 60/149,896, filed Aug. 23, 1999.

Title: PARAMETRIZED MATERIAL AND PERFORMANCE PROPERTIES BASED ON VIRTUAL TESTING

Recorded Assignee: AZTEC

Inventors: Ashok D. Belegundu; Subramaniam D. Rajan; Dr. James St. Ville

Country	Application No./Patent No.	Status	Filing Date/Grant Date	Projected Expiration
USA	60/722,985	Expired	10-04-2005	
USA	11/542,647	Pending	10-04-2006	10-04-2026
WO	PCT/US06/38302	Pending	10-04-2006	

General Summary:

*Priority:*Claims priority from provisional Application No. 60/722,985, filed Oct. 4, 2005.

So far as the Directors are aware, there are no legal or governmental proceedings pending relating to any of the licensed patents nor are any such proceedings threatened by any person or governmental authority in respect of the licensed patents. Neither Aztec nor any member of the Group has received any notice of interference or opposition in respect of the licensed patents nor are any of the Directors aware of any potential infringement of the asserted patents of others by the licensed patents or Aztec or any member of the Group.

Copyrighted Works and Technology Licence

In order to carry on its business the Group requires the ability to utilise certain critical components of the VCM technology (including software and databases), which are owned by Hawthorne & York. The right to use these critical components arises from the licence of them to AD LLC pursuant to a licence of copyrighted works and technology from Hawthorne & York.

The agreement pursuant to which AD LLC licences such copyrighted works and technology utilised in its business was entered into between Hawthorne & York and AD LLC on 13 September 2004 and was subsequently amended on 30 December 2004.

Hawthorne & York granted AD LLC an exclusive, non-transferable, royalty bearing, license to exploit: (i) any proprietary information including know-how and/or trade secrets of Hawthorne & York relating to or used to make any synthetic armour product or any kit for a synthetic armour product made using any of the licensed copyrighted works and/or licensed technology; and (ii) any manuals, data sheets, test sheets, software, videos and/or other works of authorship describing or used with or to make any synthetic armour product or any kit for a synthetic armour product made using any of the licensed copyrighted works and/or licensed technology in each case that is owned by, filed by, assigned to, or otherwise controlled by Hawthorne & York throughout the world. The royalty rate due under the license is 4 per cent. of gross sales subject to a guaranteed minimum that is to be determined and mutually agreed upon in each field of use sector prior to production, sales, and distribution of protective armour materials. It has been agreed between the parties that the maximum royalty payable to Hawthorne & York by AD LLC during the first 18 months following the time of first production or sub-licensing is US$7,000 per quarter. Although the license to AD LLC from Hawthorne & York is exclusive with respect to third parties, Hawthorne & York has retained rights in the technology and copyrighted works such that Hawthorne & York can use the same for any purpose. This reservation is not intended to permit Hawthorne & York to compete with the Group by exploiting the licensed technology and copyrighted works in the field of use covered by the license. Hawthorne & York also explicitly reserves the right to have licensed products manufactured or serviced by a third party. Hawthorne & York agrees to provide technical assistance to AD LLC to manufacture, market and service licensed products at Hawthorne & York's standard consulting rate. If Hawthorne & York consents, AD LLC receives the right to sublicense. The term of the agreement renews automatically for 5-year terms. Hawthorne & York may assign the license agreement to any person or entity without the consent of AD LLC. Hawthorne & York may terminate the agreement in the event of a material breach by, insolvency of, or a failure to make timely payment or otherwise cure a default in the requisite time period by AD LLC.

So far as the Directors are aware, there are no legal or governmental proceedings pending relating to any of the licensed copyrighted work and technology nor are any such proceedings threatened by any person or governmental authority in respect of the licensed copyrighted works and technology.

PART VII

EFFECT OF US DOMICILE OF THE COMPANY

As it is incorporated in the State of Delaware, the Company is subject to the provisions of the DGCL. There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in the UK.

While the Directors consider that it is appropriate to retain the majority of the usual features of a US corporation, they intend to take certain actions, where practicable, to meet UK standard practice. Set out below is a description of the principal differences and, where appropriate, the actions the Board intends to take.

Share Allotments and Borrowing Powers

Companies incorporated under the Companies Act must explicitly authorise directors to allot shares under section 80 of the Companies Act. It is usual for UK companies to place restrictions on the authority of directors to allot shares. In particular, it is a requirement under section 80 of the Companies Act that such authority be limited to expire after a specified time period, of no longer than five years, with shareholder approval required for renewal.

An issue of shares and other equity securities of a company incorporated in Delaware requires prior approval by the board of directors. However, the authority of the Board to issue equity securities is not unconditional; it is limited by the number of shares authorised for issue in the Company's Certificate of Incorporation, which has authorised a total of 50,000,000 Common Shares.

In addition, UK companies may impose limits on their borrowing powers by, for example, specifying that borrowed amounts may not exceed a multiple of the company's capital and reserves. The Company does not have limitations on its ability to borrow funds, as this type of limitation is extremely rare for US companies.

Pre-emptive Rights

Companies incorporated under the Companies Act are subject to pre-emption rights on new shares issued by the Company pursuant to section 89 of the Companies Act. These rights provide for existing shareholders to have a right of first refusal on the issue of new shares for cash.

By comparison, Shareholders of the Company are not entitled under the DGCL to pre-emption rights on further issues of Common Shares of the Company, as Delaware law does not automatically provide for these rights. Certain pre-emption rights have been included in the Company's Certificate of Incorporation and are summarized in paragraph 4 of Part IX of this document.

Takeovers

Although the Company will not be subject to the City Code as it is incorporated in the US and its place of central management and control is outside of the UK, the Channel Islands and the Isle of Man and is not therefore considered resident in the UK for the purposes of the City Code, certain provisions contained in the Company's Certificate of Incorporation and Bylaws may make a hostile takeover of the Company more difficult to achieve. These provisions are set out below.

The Company has included a provision in its Certificate of Incorporation giving the Board full authority to apply the provisions of Rules 9, 10 and 11 of the City Code (and any rules and notes related thereto) and sections 974 to 982 of the 2006 Act to the Company, including the deemed application in the Board's discretion of the whole or part of such provisions and such authority shall include all the discretion that the UK Takeover Panel would exercise if the whole or part of the City Code applied.

Generally under Delaware law, a court will defer to the "business judgment" of the directors of a Delaware corporation in their response to a proposed merger transaction. While this legal principle is limited, in that transactions involving a "sale of control" (as defined within Delaware case law) shifts

the standard and requires the board of directors of a Delaware corporation to obtain the highest value reasonably available for shareholders, the "business judgment" presumption leaves the Board with the ability to reject a takeover offer and to take certain actions to position the Company against a takeover in the future. Following Admission, ownership of the Company's shares will be concentrated among a small number of Shareholders, which may make it difficult or impossible for a third party to take over the Company if one or more of these Shareholders does not want to sell.

The US federal securities laws also regulate certain types of takeover activity. In particular, the Williams Act (which is part of the Exchange Act) regulates tender offers and requires public disclosure, by means of a filing with the US Securities Exchange Commission, of acquisitions of a substantial block of equity securities in a publicly traded company. Many of the provisions of the Williams Act will not apply to the Company unless and until it has a class of shares registered under the Exchange Act.

In addition, in the event of a merger or consolidation of the Company with or into another corporation in which the successor corporation does not assume outstanding options or issue substantially equivalent options, the Omnibus Incentive Plan provides for the accelerated vesting of outstanding options (unless the plan administrator determines otherwise).

Limitation of Director Liability

While both the Companies Act and the DGCL allow for indemnification of directors, the scope of indemnification allowed under Delaware law is broader. Sections 232 – 234 of the 2006 Act (which replaced Section 309A of the Companies Act) generally prohibits UK companies from exempting directors from, or indemnifying them against, liabilities in instances where the directors are found to be negligent, in default, or in breach of duty or trust (subject to certain recent statutory relaxations, whereby directors may (if a company so chooses) be indemnified against third party proceedings and the costs of defending actions brought against them by the company).

By comparison, the Company's Certificate of Incorporation eliminates any monetary liability of directors to the Company or its Shareholders for breaches of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Company or its Shareholders; (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the DGCL (which deals with unlawful payments of dividends and unlawful stock purchases); or (iv) for any transaction from which the director derived an improper personal benefit.

In addition, the Certificate of Incorporation provides that the Company will indemnify its directors and officers to the fullest extent permitted by the DGCL. Section 145 of the DGCL provides that directors and officers generally may be indemnified for acts taken in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the corporation. Section 145 also permits a corporation to (i) reimburse present or former directors or officers for their defence expenses to the extent they are successful on the merits or otherwise and (ii) advance defence expenses upon receipt of an undertaking to repay the corporation if it is determined that payment of such expenses is unwarranted.

The Certificate of Incorporation provides that the Company will reimburse or advance defence expenses to a director or officer in connection with any such proceeding for which indemnification is allowed, subject to an undertaking by such director or officer to repay such expenses in limited circumstances where indemnification is not granted.

Shareholder Notifications of Interests

As a company incorporated under the laws of the State of Delaware, the Company is not subject to the provisions of the Disclosure and Transparency Rules and, consequently, Shareholders would not ordinarily be subject to any requirement to disclose to the Company the level of their interests in Common Shares. However, in line with current best practice for companies incorporated outside the UK whose shares are admitted to trading on AIM, the Company has elected to incorporate certain provisions of the Disclosure and Transparency Rules and the 2006 Act into its Certificate of Incorporation, further details of which are set out in paragraph 4 of Part IX of this document.

Disclosure of Interests in Shares

The provisions of chapter 5 of the Disclosure and Transparency Rules (the "Disclosure and Transparency Provisions") and section 793 of the 2006 Act (the "2006 Act Provisions") are incorporated by reference into the Company's Certificate of Incorporation.

The Disclosure and Transparency Provisions detail the circumstances in which a person may be obliged to notify the Company that he has an interest in voting rights in respect of the Common Shares of the Company (a "notifiable interest"), or has had a notifiable interest, in Common Shares. An obligation to notify the Company arises (a) when a person is interested in three per cent. or more of the voting rights attaching to the Common Shares and (b) where such person's interest alters by a complete integer of one per cent. of the voting rights attaching to the Common Shares.

The 2006 Act Provisions permit the Company to serve a notice on any person where the Company has reasonable cause to believe such person is interested in the Company's Common Shares or has been interested in the Company's Common Shares at any time during the three years immediately preceding the date on which the notice is issued. Such notice may require the person to confirm or deny that he has or was interested in the Company's Common Shares and, if he holds, or has during that time held, any such interest to give such further information as may be required in accordance with the Company's Certificate of Incorporation, which incorporates the 2006 Act Provisions. Where such Shareholder fails to comply with the terms of the notice within the period specified in such notice the Shareholder will be in default (such Shareholder being a "Default Shareholder"). Pursuant to the Certificate of Incorporation, a Default Shareholder is not entitled to attend or vote at meetings of the Company in respect of any Common Shares held by him in relation to which he or any other person appears to be interested. Further, transfers of Common Shares held by a Default Shareholder may not be recognised and dividends may also be withheld in respect of Common Shares held by a Default Shareholder. Such disentitlements will apply until the earlier of:

(a) a date not more than seven days after the Company has determined, in its sole discretion, that the Default Shareholder is in compliance with the provisions of the Disclosure and Transparency Provisions; or

(b) the Company withdrawing the default notice.

The full text of the Disclosure and Transparency Provisions and the 2006 Act Provisions will be made available to any Shareholder free of charge on application to the Company Secretary.

Additional Corporate Matters

In addition, the following provisions of Delaware law applicable to the Company, and the following provisions in the Company's Certificate of Incorporation and Bylaws, are standard for US corporations but may not be typical for UK companies:

(a) the holders of one third of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for action at all meetings of the Shareholders;

(b) the quorum required for action at a meeting of the Board is a majority of the number of directors currently serving on the Board.

A summary of the terms of the Company's Certificate of Incorporation and Bylaws and certain other provisions of the DGCL are set forth in paragraph 4 of Part IX of this document.

PART VIII

RESTRICTIONS ON THE TRANSFER OF THE COMMON SHARES

Securities Laws

The distribution of this document and the offer of Placing Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the following paragraphs which relate to the United States. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Placing Shares to any person in any jurisdiction to whom it is unlawful to make any such offer or solicitation in any such jurisdiction.

United States

The Placing Shares have not been, and will not be, registered under the Securities Act or the applicable securities laws and regulations of any state of the United States and, may not be offered or sold in the United States or to US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Company may offer Placing Shares only through US registered broker-dealers or individuals or entities exempt from broker-dealer registration requirements under the Exchange Act and applicable state securities laws to persons reasonably believed to be Accredited Investors (in the case of the US Placing Shares) or to persons outside the United States in "offshore transactions" pursuant to Regulation S (in the case of the Overseas Placing Shares).

Each person in the United States considering an investment in the Placing Shares should read this Part VIII in its entirety.

Each person in the United States who purchases Placing Shares shall be required to make certain representations and agree to certain matters.

Regulation S Offering

Because the Overseas Placing Shares are being offered in reliance on Regulation S, and because neither the issue nor the resale of the Overseas Placing Shares has been registered under the Securities Act, the Overseas Placing Shares constitute "restricted securities" within the meaning of Rule 144 under the Securities Act. A subscriber for or a subsequent purchaser of Overseas Placing Shares may not offer, sell or otherwise transfer Overseas Placing Shares in the United States or to, or for the account or benefit of, any US person, except pursuant to an exemption from the registration requirements of the Securities Act, including transactions in compliance with Rule 904 of Regulation S. Hedging transactions in the Overseas Placing Shares may not be conducted, directly or indirectly, unless in compliance with the Securities Act.

Category 3 Offering – Compliance Period

The Overseas Placing Shares offered in the Placing are subject to the conditions listed under section 903(b)(3), or Category 3, of Regulation S. Under Category 3, Offering Restrictions (as defined under Regulation S) must be in place in connection with the Placing and additional restrictions are imposed on re-sales of the Overseas Placing Shares as described below. All Overseas Placing Shares are subject to these restrictions.

Prior to one year after the later of (1) the time when the Overseas Placing Shares are first offered to persons other than distributors in reliance upon Regulations S or (2) the date of closing of the Placing, or such longer period as may be required under applicable law (the "Compliance Period"):

(a) every purchaser of Overseas Placing Shares other than a distributor will be required to certify that it is not a US person and is not acquiring the securities for the account or benefit of any US person or is a US person who purchased securities in a transaction that did not require registration under the Securities Act;

(b) every purchaser of the Overseas Placing Shares will be required to agree to resell such Placing Shares only in accordance with the provisions of Rule 144A, Rule 144 (if available) or Regulation S, or pursuant to an effective registration statement under the Securities Act, and will be required to agree to not engage in hedging transactions with regard to the securities unless in compliance with the Securities Act;

(c) share certificates in respect of the Overseas Placing Shares will contain a legend to the effect that transfer is prohibited except in accordance with the restrictions set forth in (a) and (b) above during the Compliance Period;

(d) each distributor selling securities to a distributor, a dealer (as defined in Section 2(a)(12) of the Securities Act), or a person receiving a selling concession, fee or other remuneration will be required to send a confirmation or other notice to the purchaser stating that the purchase is subject to the same restrictions on offers and sales that apply to a distributor; and

(e) pursuant to the Company's Bylaws, the Company will be required to refuse to register any transfer of its securities not made in accordance with the provisions of Regulation S or pursuant to registration under the Securities Act or an exemption from registration under the Securities Act.

Additional Representations

In addition to the applicable representations set forth above, each purchaser of Overseas Placing Shares will, pursuant to the terms and conditions of the Placing, represent to and agree with, the Company as follows:

(a) the purchaser understands that until such time as the restrictions on transfer set forth herein are no longer applicable, the Overseas Placing Shares may remain in certificated form and will bear a legend substantially in the form set out in paragraph (g) in this Part VIII;

(b) the purchaser understands that Overseas Placing Shares will remain in certificated form and will not be capable of settlement through CREST until expiration of the Restricted Period, and then only upon (A) the Company having made appropriate arrangements through CREST for the issue of depository interests in respect thereof; and (B) delivery of the certificated security certificate to the principal registrar, branch registrar or UK transfer agent (as applicable) together with such evidence as the Company may require (in its sole discretion) to demonstrate that the transfer restrictions set forth in this document are no longer applicable; and

(c) the purchaser acknowledges that the Company, Zimmerman Adams, the Placing Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and agrees that if any such acknowledgement, representation or warranty deemed to have been made by virtue of its purchase of Overseas Placing Shares is no longer accurate, it shall promptly notify the Company, the Placing Agent and Zimmerman Adams; and if it is acquiring any Overseas Placing Shares as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Regulation D Offering

Due to the following restrictions, purchasers of US Placing Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the US Placing Shares.

Each purchaser of the US Placing Shares who is located in the United States will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

(a) it is: (i) an Accredited Investor; (ii) acquiring such US Placing Shares for investment and for its own account; (iii) is not acquiring the US Placing Shares with a view to further distribution or resale of such US Placing Shares or any part thereof in any transaction that would be in violation of the Securities Act or any state securities or "blue sky" laws; and (iv) is aware and each beneficial owner of such US Placing Shares has been advised that the sale of US Placing Shares to it is being made in reliance on Regulation D;

(b) it understands that the US Placing Shares have not been and will not be registered for sale under the Securities Act or any state securities or "blue sky" laws in reliance on exemptions from the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except: (i) pursuant to an effective registration statement under the Securities Act; (ii) to a person who it and any person acting on its behalf reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (iii) in an "offshore transaction" complying with Rule 903 or Rule 904 of Regulation S; (iv) as provided by Rule 144 under the Securities Act (if available), or any other applicable exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any state of the US;

(c) it acknowledges that the US Placing Shares offered and sold hereby are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the US Placing Shares;

(d) it acknowledges that the Company, Zimmerman Adams, the Placing Agent and others will rely upon its representations, warranties, agreements and acknowledgements set forth herein, and agrees to notify the Company, the Placing Agent and Zimmerman Adams promptly in writing if any of its representations, warranties or acknowledgements ceases to be accurate and complete;

(e) it has been furnished with and/or had access to, and has read and reviewed all documents and information that the purchaser deemed necessary to evaluate the merits and risks of the purchaser's investment, including, without limitation, this document, and has had the opportunity to ask questions of and has received satisfactory answers from the officers of the Company concerning the Company, and is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the US Placing Shares;

(f) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring and holding the US Placing Shares;

(g) the US Placing Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

PRIOR TO INVESTING IN THE SECURITIES OR CONDUCTING ANY TRANSACTIONS IN THE SECURITIES, INVESTORS ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS REGARDING THE RESTRICTIONS ON TRANSFERS SUMMARISED BELOW AND ANY OTHER RESTRICTIONS. THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (l) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (2) TO A PERSON

WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) AS PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR ANY OTHER APPLICABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

(h) it will furnish to the Company or its designee, if the Company so requests, an opinion, in form and substance acceptable to the Company, of counsel experienced in securities law matters and acceptable to the Company, regarding any disposition of the US Placing Shares to the effect set forth above, and such other documents as the Company may require (including a letter from the person purchasing from the holder of US Placing Shares providing representations in the manner set out above); and

(i) it acknowledges that the Company and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and agrees that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of US Placing Shares are no longer accurate, it shall promptly notify the Company.

Resales of Regulation D Ordinary Shares

The restrictions described above will generally not prohibit resales on AIM of the US Placing Shares offered hereby following the Placing provided it is done in a valid transaction under Regulation S. However, due to the restrictions described above, subscribers for and subsequent purchasers of the US Placing Shares and their brokers may be required to execute representation letters prior to resales of such shares and provide legal opinions. Among other things, prior to any resale during such period, and in addition to certain other representations, a reseller of US Placing Shares and such resellers broker may each be required to represent that neither such reseller, nor any person acting on such reseller's behalf, knows that the resale transaction has been pre-arranged with a buyer in the United States. The Company reserves the right to modify this process as may be deemed required or appropriate and may require such other documentation evidencing a valid exemption from registration to comply with applicable US securities law requirements and the AIM Rules for Companies.

Additional Matters

Common Shares will be restricted securities under Rule 144 of the Securities Act. Except as set forth below, none of the Common Shares will be eligible for sale under Rule 144 unless the Company has a class of equity securities registered under the Exchange Act and certain other conditions are met. Furthermore, the Company is not required to register any securities under the Securities Act or the Exchange Act.

As a result, it is unlikely that sales of Common Shares will be eligible for sale under Rule 144 until the date which is: (i) one year after the later of: (a) the issue date for such securities; and (b) the date on which an affiliate of the Company (as defined under the US federal securities laws) was the owner of such securities, when the Common Shares will become eligible for sale under Rule 144(b), subject to volume, manner of sale, current information and notice requirements; or (ii) two years after the later of: (a) the issue date for such securities; and (b) the date on which an affiliate of the Company (as defined under US federal securities laws) was the owner of such securities, when, with respect to non-affiliates (as defined under US federal securities laws), the Common Shares will become eligible for sale under Rule 144 (k). Accordingly, the Company does not expect that a liquid trading market for the Common Shares will develop in the United States in the foreseeable future.

Pursuant to the Company's Bylaws, the Company will be required to refuse to register any transfer of the Placing Shares not made in accordance with the provisions of Regulation S pursuant to registration under the Securities Act, or pursuant to another available exemption from registration. The Company

may determine to modify the transfer restrictions set forth above or to require additional certifications and/or related documentation to evidence an exemption from registration, in each case in accordance with applicable law.

Other Restrictions

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") the Placing Shares are being and will only be offered in that relevant member state:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000 as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than "qualified investors" within the meaning of Article 2(l)(e) of the Prospectus Directive ("Qualified Investors")) subject to obtaining the prior consent of Zimmerman Adams; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive, being exempted offerings under the Prospectus Directive from the requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state, provided that each person who initially acquires any Placing Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor.

In the case of any Placing Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Placing Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Placing Shares to the public other than their offer or resale in a relevant member state to Qualified Investors or in circumstances in which the prior consent of Zimmerman Adams has been obtained to each such proposed offer or resale. The Company and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified Zimmerman Adams of such fact in writing may, with the consent of Zimmerman Adams, be permitted to subscribe for or purchase Placing Shares in the Placing.

For the purpose of the expression an "offer of any Placing Shares to the public" in relation to any Placing Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer of any Placing Shares to be offered so as to enable an Investor to decide to purchase any Placing Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

PART IX

ADDITIONAL INFORMATION

1. Responsibility statement, reports by experts and consents

1.1 The Company and the Directors of the Company, whose names and business addresses are set out on page 4 of this document, accept collective and individual responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Joy Arthur has given and has not withdrawn her written consent to the inclusion in this document of her name and the references to it in the form and context in which it appears.

1.3 Grant Thornton UK LLP has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its reports in Part IV and the references to its reports in the form and in the context in which they are included and have authorised the contents of Part IV of this document. Grant Thornton UK LLP has no interest in the Company.

1.4 Zimmerman Adams International Ltd. of 4th Floor, 12 Camomile Street, London, EC3A 7PT has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.

1.5 Alexander David Securities Limited of 10 Finsbury Square, London, EC2A 1AD has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.

2. The Company

2.1 The legal name of the Company is Armor Designs, Inc.

2.2 The Company was incorporated on 30 March 2006 and is a corporation organised under the laws of the State of Delaware, USA. The Company's principal place of business is located at 3908 E. Broadway Road, Suite 110A, Phoenix, Arizona 85040-2995 (telephone number: +1 602 275 4633).

2.3 The financial year end of the Company is 31 December.

3. Share capital of the Company

3.1 ***Summary of issued and outstanding Common Shares***

The authorised and issued share capital of the Company as at the date of this document and Admission is as set out below. All the issued share capital of the Company has been fully paid up.

At the date of this document

Authorised			*Issued and fully paid*	
$	*Number*		*$*	*Number*
50,000	50,000,000	Common shares of US$0.001 each	22,500	22,500,000

At Admission[1]

Authorised			*Issued and fully paid*	
$	*Number*		*$*	*Number*
50,000	50,000,000	Common shares of US$0.001 each	25,922.50	25,922,500

[1] Assuming the Placing is fully subscribed and all the Bonds issued and outstanding as at the date of this document will automatically convert into Common Shares and warrants to purchase Common Shares as further described at 3.3 below.

3,000,000 Common Shares have been made available to satisfy demand from potential investors following Admission pursuant to the Market Demand Arrangements. In the event that all the Market Demand Shares are issued pursuant to the Market Demand Arrangements the total number of Common Shares in issue would be 28,922,500 and the issued and fully paid share capital of the Company would be US$28,922.50.

3.2 ***History of Common Share Issues***

The following is a summary of the changes in the Company's issued share capital during the period from incorporation on 30 March 2006 to the date of this document:

(a) The Company was incorporated with an authorised share capital of $100 divided into 100,000 Common Shares.

(b) On 1 January 2007, the members of AD LLC contributed all the outstanding limited liability company interests in AD LLC to the Company in exchange for Common Shares. Pursuant to this arrangement, 49,500 Common Shares were issued to Hawthorne & York and 500 Common Shares were issued to Hans and Sonia Marrero.

(c) On 20 December 2007, the Company filed an Amended and Restated Certificate of Incorporation that had been approved by the Board on 12 December 2007 and approved by the Shareholders on 12 December 2007. In doing so, the Company increased its authorised capital to 50,000,000 Common Shares to accommodate the issue of the Placing Shares and the Market Demand Arrangements.

(d) On 20 December 2007, the Company effected a stock split pursuant to which each of the 50,000 Common Shares in issue at that time was sub-divided into 450 Common Shares.

3.3 ***Series A Convertible Bond Issue***

Between 19 June 2006 and 30 November 2007, the Company entered into subscription agreements in relation to 10 per cent. series A Bonds having an aggregate principal amount of US$9,000,000 in minimum denominations of US$100,000, which are due for repayment on 31 March 2011. The Bonds were offered and sold at par and bear interest at the rate of 10 per cent. per annum, payable in arrears on 1 November and 1 May, commencing 1 November 2006. The Bonds will automatically convert, in whole, into units, as described below, on Admission.

Each unit issued upon Admission will comprise one Common Share and one warrant to purchase one Common Share. On Admission, each Bond will convert into a number of common stock units ("Common Stock Units") equal to the greater of: (a) the face amount of the Bond divided by 70 per cent. of the Placing Price; or (b) 0.09 per cent. of the Existing Common Shares, per US$100,000 principal amount of the Bond being converted.

Each warrant granted on conversion will entitle the holder to purchase one Common Share at a price per share of 125 per cent. of the Placing Price exercisable only on the earliest to occur of the second anniversary of Admission or the date of any secondary issue of Common Shares by the Company following Admission ("Warrant Exercise Date"). Details of the Common Shares to be issued upon exercise of these warrants are detailed at paragraph 7.1 of this Part IX.

All Bond Warrants will expire if they are not exercised on the Warrant Exercise Date. If, at any time after Admission but before the exercise of a Bond Warrant, the Company subdivides or splits its outstanding Common Shares into a larger number of Common Shares or combines or reclassifies its outstanding Common Shares into a smaller number or different class of shares, the price per share and number of Common Shares which the Bond Warrant holder may purchase pursuant to such Bond Warrant will be adjusted to reflect such subdivision, split, combination or reclassification.

When conversion of the Bonds occurs, accrued and unpaid interest on the Bonds will be paid in cash upon conversion. In addition, no fractional Common Shares will be issued upon conversion or upon the exercise of a Bond Warrant, and holders will be paid cash in lieu of fractional Shares at the time of conversion or exercise, as the case may be.

3.4 ***Additional information regarding share capital***

At the date of this document, pursuant to the Certificate of Incorporation, the Directors are authorised to issue up to 27,500,000 Common Shares (which includes the Placing Shares, the Bond Common Shares and the Market Demand Shares).

No Common Shares are currently held in treasury by the Company or held by any other person on its behalf and no Common Shares are currently held by any subsidiary of the Company.

The Company does not have in issue any shares which do not represent capital.

The Common Shares the subject of the Placing are issued (conditional upon Admission) pursuant to a resolution passed at a meeting of the board of Directors held on 12 December 2007.

4. Certificate of Incorporation, Bylaws and Governing Law

The Company is governed by its constitutional documents, which consist of the Certificate of Incorporation and Bylaws, and by the DGCL. The following is a summary of certain relevant provisions of these documents and the law:

4.1 Pursuant to Article III of the Certificate of Incorporation, the purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the DGCL.

4.2 The Certificate of Incorporation and the Bylaws contain provisions, *inter alia*, to the following effect:

(a) ***Management – Board of Directors and Officers***

The management of the business and the conduct of the affairs of the Company are vested in the Board. The number of directors which constitutes the entire Board is fixed at seven (7) and may be adjusted from time to time by the Board.

The Board is elected by the Shareholders at their annual meeting. Each director is elected to serve for a term of one (1) year. Any vacancy on the Board and any newly created directorships may be filled by a majority vote of the remaining directors then in office.

Each director has one vote. A vote of a majority of the directors present at a duly called meeting of the Board where a quorum (*i.e.*, a majority of the total number of directors) is present shall be the act of the Board.

A director may be removed only by majority vote of the Shareholders.

An annual meeting of the Board shall be held immediately after each annual meeting of the Shareholders. In addition, the Board may hold regular meetings throughout the year as the directors determine.

Subject to oversight by the Board, the officers of the Company manage and conduct the day-to-day operations and affairs of the Company. The Board has the exclusive power to appoint and remove the officers of the Company.

The Board has the authority to fix the compensation of directors for their services to the Company. In addition, directors may be reimbursed for their expenses, if any, incurred by them in connection with the discharge of their duties as a director of the Company.

(b) ***Shares; Shareholders***

Authorised Stock

The Company is authorised to issue one class of stock, the Common Shares. The total number of shares of the Common Shares that the Company is authorised to issue is 50,000,000 shares.

Voting Rights

Each Shareholder has one vote for each Common Share. A Shareholder may vote in person or by proxy. Elections of directors are determined by a plurality of the votes cast; all other matters are decided by a majority of the votes cast at a meeting of the Shareholders where a quorum (*i.e.*, one-third of the outstanding Common Shares entitled to vote at a meeting of the Shareholders) is present in person or by proxy.

Annual and Special Meetings

An annual meeting of the Shareholders is to be held each year. A special meeting of the Shareholders may be called by, among others, the holders of not less than ten per cent. (10 per cent.) in voting power of the outstanding Common Shares entitled to vote at the meeting. Notice of an annual or special meeting of the Shareholders shall be given to the

Shareholders not less than ten (10) days nor more than sixty (60) days before the date of any such meeting. Notice of an annual or special meeting need only be given to Shareholders of record. The Board may set a record date for determining Shareholders entitled to vote at any meeting of the Shareholders not more than sixty (60) days nor less than ten (10) days before the date of such meeting.

Shareholder Action without a Meeting

Any action required to be taken at any annual or special meeting of the Shareholders, or any action which may be taken at any annual or special meeting of the Shareholders, may be taken without a meeting, without prior notice to the Shareholders and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by Shareholders having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Common Shares entitled to vote thereon were present and voted.

Dividends

Dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board may determine.

(c) ***Pre-emption Rights***

Unless determined by Shareholders holding at least seventy-five per cent. (75 per cent.) of the then outstanding Common Shares, any issue of new securities for cash shall first be offered to existing Shareholders on a pre-emptive basis in proportion to their *pro rata* interest in the then outstanding Common Shares. The pre-emption provisions do not apply to (i) securities allotted for cash where the nominal amount of such securities during any twelve (12) month period does not exceed ten per cent. (10 per cent.) of the then outstanding Common Shares, or (ii) the allotment in connection with a rights issue or exercise of options.

(d) ***Takeover Provisions***

If a person acquires Common Shares which (taken together with securities held or acquired by persons acting in concert with such person) represent thirty per cent. (30 per cent.) or more of the Common Shares, or a person, together with persons acting in concert with such person, holds not less than thirty per cent. (30 per cent.), but not more than fifty per cent. (50 per cent.), of the Common Shares and such person, or any person acting in concert with such person, acquires additional securities which will increase his, her or its percentage of Common Shares, then any such persons, and any persons acting in concert with such persons, must make an offer to all the Shareholders. The obligation to make such an offer may be waived in certain circumstances.

(e) ***Failure to Disclose Interest in Common Shares***

If a Shareholder acquires, in the aggregate, three per cent. (3 per cent.) or more of the Common Shares, or if a Shareholder who previously owned three per cent. (3 per cent.) or more of the Common Shares ceases to own at least three per cent. (3 per cent.) of the Common Shares, such Shareholder is required to notify the Company of his, her or its interest in the Common Shares. In the event a Shareholder fails to comply with this notice requirement, the Directors may impose restrictions on the relevant Common Shares, subject to certain exceptions and limitations. The restrictions may include the following: (i) loss of voting rights with respect to the relevant Shares, (ii) non-recognition of further transfers of the relevant Common Shares, and (iii) dividends may be withheld with respect to the relevant Common Shares.

(f) ***Amendments to Certificate of Incorporation***

The following provisions of the Certificate of Incorporation may not be amended unless approved by Shareholders holding at least seventy-five per cent. (75 per cent.) of the voting power of all of the then outstanding Common Shares:

(i) pre-emption right provisions;

(ii) takeover provisions;

(iii) disclosure of interests provisions;

(iv) depositary interests provisions;

(v) limits on Directors' borrowing powers;

(vi) severability provisions; and

(vii) provisions relating to the amendment of the Certificate of Incorporation.

In order to change the rights of holders of the Common Shares, the Board must adopt a resolution proposing the change and the resolution must be approved by a majority of the Shareholders (*s.242 of the DGCL*).

(g) ***Winding Up***

There are no provisions in the Certificate of Incorporation or Bylaws relating to winding up and dissolving the Company. The DGCL governs the winding up and dissolution of the Company. Pursuant to the DGCL, the sale, lease or exchange of all or substantially all of the Company's property and assets, and the dissolution of the Company, requires the approval of a majority of the Shareholders (s.*271 of the DGCL*). The Company shall continue for three (3) years following its dissolution in order to wind up its affairs (*s.278 of the DGCL*).

5. Directors' interests in the Company

5.1 The interests of the Directors, their immediate families and the persons connected with them within the meaning of section 252 of the 2006 Act, all of which are beneficial, in the issued share capital of the Company as at the date of this document and at Admission are and will be as follows:

As at the date of this document

Director	*Number of Common Shares*	*Percentage of issued share capital*
Dr J. St. Ville[1]	22,275,000	99%

At Admission

Director	*Number of Common Shares*	*Percentage of issued share capital*
R. Siegfried[2]	20,250	0.08%
Dr J. St. Ville[1]	22,275,000	85.93%
A. Valenzuela[3]	20,250	0.08%

[1] Dr. J. St. Ville's interest in the Company is through his wholly owned company, Hawthorne & York.

[2] R. Siegfried's interest in the Company is through the Robin Siegfried Revocable Trust.

[3] A. Valenzuela's interest in the Company is through the shareholding of his daughter.

In addition the Directors between them hold RSUs and SARs over a total of 251,900 new Common Shares as more particularly described in paragraph 9.9 of this Part IX.

5.2 Save as disclosed in this paragraph 5, none of the Directors, nor any member of their respective immediate families, nor any person connected with them within section 252 of the 2006 Act, is or, immediately following Admission, will be interested in any share capital of the Company.

5.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

5.4 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

6. Major Shareholders

6.1 Save as disclosed in this paragraph 6.1 the Directors are not aware of any person (other than the Directors, as set out in paragraph 5 above) who, directly or indirectly, jointly or severally at the date of this document and at Admission is or will be interested (within the meaning of Part 22 of the 2006 Act) in 3 per cent. or more of the issued share capital or the Enlarged Share Capital of the Company.

As at the date of this document

Shareholder	*Number of Common Shares*	*Percentage of issued share capital*
Hawthorne & York	22,275,000	99%

At Admission

Shareholder	*Number of Common Shares*	*Percentage of issued share capital*
Hawthorne & York	22,275,000	85.93%
Ian and Gladys Anne Massie	1,141,750	4.40%

6.2 No major Shareholder has any different voting rights to the other holders of Common Shares. The Company, Hawthorne & York, the Nominated Adviser and Dr. James St. Ville have entered into a relationship agreement, the provisions of which are summarised at paragraph 13.3 of this Part IX.

6.3 Save as disclosed in this document, so far as the Directors are aware, the Company is not directly or indirectly controlled by any person.

7. Options and Warrants

7.1 At Admission, the Company will have Bond Warrants outstanding over 1,822,500 Common Shares exercisable on the earlier of the second anniversary of Admission or the date of any secondary issue of Common Shares by the Company following Admission, at an exercise price of US$12.50. The terms of the Bond Warrants are further described in paragraph 3.3 of this Part IX.

7.2 At the date of this document, the Directors hold RSUs and SARs over a total of 251,900 Common Shares as more particularly described in paragraph 9.9 of this Part IX.

7.3 At the date of this document, the Placing Agent and Zimmerman Adams each hold options, conditional on Admission, to subscribe for 16,000 Common Shares at an exercise price of US$10 per Common Share. The terms of these options are more particularly described in paragraphs 13.9 and 13.10 of this Part IX.

8. Directors' Service Agreements/Letters of Appointment

8.1 Dr. James St. Ville entered into a service agreement with the Company on 12 December 2007. The terms of the agreement provide for (*inter alia*): (i) a salary per annum of US$270,000 (subject to a right of the Company to set off against this sum any fees payable to Dr. James St. Ville in respect of his services under any contract between a US government entity and any member of the Group); (ii) an annual bonus calculated and payable at the sole discretion of the Board; (iii) termination on twelve months' written notice by either party or summarily by the Company if Dr. James St. Ville is, among other things, guilty of disloyalty, gross negligence, dishonesty or breach of fiduciary duty; (iv) participation in employee benefit plans of the Company in effect from time to time, including but not limited to the Company's health insurance program, disability insurance program (if applicable), and the Omnibus Incentive Plan; (v) Dr. James St. Ville's agreement not to, amongst other things, deal in any securities of the Company following Admission, unless prior clearance for such dealing has been obtained, and to observe and comply with various rules, codes and legislation in relation to securities of the Company being admitted to AIM; and (vi) 20 days holiday per annum. Dr. James St. Ville is subject to certain restrictive covenants, which, amongst other things, prevents Dr. James St. Ville from disclosing confidential information, soliciting (whether directly or indirectly) any customers or employees of the Company, or engaging (whether directly or indirectly) in any business or activity that is in competition with the Company.

In addition to his salary, Dr. James St. Ville may become entitled to receive fees, at a rate fixed by the US government, for the provision of his services in relation to any contracts which may be entered into between a US government entity and any member of the Group. As noted above, any such fees will be set off against Dr. James St. Ville's salary up to a maximum of US$270,000 per annum.

8.2 Mr. Volkmann entered into a service agreement with the Company on 10 November 2007. The terms of the agreement provide for (*inter alia*): (i) a salary of US$250,000 per annum; (ii) an annual bonus calculated and payable at the sole discretion of the Board; (iii) termination on two weeks written notice by either party or summarily by the Company if Mr. Volkmann is, among other things, guilty of disloyalty, gross negligence, dishonesty or breach of fiduciary duty; (iv) participation in employee benefit plans of the Company in effect from time to time, including but not limited to the Company's health insurance program, disability insurance program (if applicable), and the Omnibus Incentive Plan; (v) Mr. Volkmann's agreement not to, amongst other things, deal in any securities of the Company following Admission, unless prior clearance for such dealing has been obtained, and to observe and comply with various rules, codes and legislation in relation to securities of the Company being admitted to AIM; and (vi) 30 days holiday per annum. Mr. Volkmann is subject to certain restrictive covenants, which, amongst other things, prevent Mr. Volkmann from disclosing confidential information, soliciting (whether directly or indirectly) any customers or employees of the Company, or engaging (whether directly or indirectly) in any business or activity that is in competition with the Company.

8.3 Dr. Sidhwa entered into a service agreement with the Company on 10 November 2007. The terms of the agreement provide for (*inter alia*): (i) a salary of US$225,000 per annum; (ii) an annual bonus calculated and payable at the sole discretion of the Board; (iii) termination on two weeks written notice by either party or summarily by the Company if Dr. Sidhwa is, among other things, guilty of disloyalty, gross negligence, dishonesty or breach of fiduciary duty; (iv) participation in employee benefit plans of the Company in effect from time to time, including but not limited to the Company's health insurance program, disability insurance program (if applicable), and the Omnibus Incentive Plan; (v) Dr. Sidhwa's agreement not to, amongst other things, deal in any securities of the Company following Admission, unless prior clearance for such dealing has been obtained, and to observe and comply with various rules, codes and legislation in relation to securities of the Company being admitted to AIM; and (vi) 30 days holiday per annum. Dr. Sidhwa is subject to certain restrictive covenants, which, amongst other things, prevent Dr. Sidhwa from disclosing confidential information, soliciting (whether directly or indirectly) any customers or employees of the Company, or engaging (whether directly or indirectly) in any business or activity that is in competition with the Company.

8.4 Mr. Siegfried was appointed on 26 November 2007 as a non-executive director of the Company pursuant to a letter of appointment dated 4 November 2007. Mr. Siegfried's annual base compensation will be satisfied by stock appreciation rights granted under the Omnibus Incentive Plan with a value of US$220,000 and which shall be subject to an annual review by the Board. It is anticipated that Mr. Siegfried will work a sufficient number of days per month for the Company to meet the expectations of his role. Mr. Siegfried's appointment is for an initial period of 3 years commencing on 26 November 2007 and is terminable on one month's prior written notice by either party. The Company may terminate the appointment with immediate effect if Mr. Siegfried is, among other things, in breach of obligations to the Company; guilty of fraud or dishonesty; declared bankrupt; or disqualified from acting as a director. On termination of appointment Mr. Siegfried is only entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. Mr. Siegfried is subject to certain restrictive covenants, which amongst other things, prevent Mr. Siegfried from using trade secrets or confidential information to detriment or prejudice of the Company or for his own purposes, or becoming a director or employee of any competitor.

8.5 Retired Major General Alfred Valenzuela was appointed on 26 November 2007 as a non-executive director of the Company pursuant to a letter of appointment dated 4 November 2007. Retired Major General Alfred Valenzuela's annual base compensation will be satisfied by stock appreciation rights granted under the Omnibus Incentive Plan with a value of US$100,000 and which shall be subject to an annual review by the Board. It is anticipated that Retired Major

General Alfred Valenzuela will work a sufficient number of days per month for the Company to meet the expectations of his role. Retired Major General Alfred Valenzuela's appointment is for an initial period of 3 years commencing on 26 November 2007 and is terminable on one month's prior written notice by either party. The Company may terminate the appointment with immediate effect if Retired Major General Alfred Valenzuela is, among other things, in breach of obligations to the Company; guilty of fraud or dishonesty; declared bankrupt; or disqualified from acting as a director. On termination of appointment Retired Major General Alfred Valenzuela is only entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. Retired Major General Alfred Valenzuela is subject to certain restrictive covenants, which amongst other things, prevent Retired Major General Alfred Valenzuela from using trade secrets or confidential information to detriment or prejudice of the Company or for his own purposes, or becoming a director or employee of any competitor.

8.6 Mrs Campbell was appointed on 26 November 2007 as a non-executive director of the Company. The terms of her letter of appointment dated 20 December 2007 are effective from Admission. Mrs Campbell is paid a fee of US$100,000 gross a year which shall be paid in equal instalments monthly in arrears and which shall be subject to an annual review by the Board. It is anticipated that Mrs Campbell will work a sufficient number of days per month for the Company to meet the expectations of her role. Mrs Campbell's appointment is for an initial period of 3 years commencing on 26 November 2007 and is terminable on one month's prior written notice by either party. The Company may terminate the appointment with immediate effect if Mrs Campbell is, among other things, in breach of obligations to the Company; guilty of fraud or dishonesty; declared bankrupt; or disqualified from acting as a director. On termination of appointment Mrs Campbell is only entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. Mrs Campbell is subject to certain restrictive covenants, which amongst other things, prevent Mrs Campbell from using trade secrets or confidential information to detriment or prejudice of the Company or for his own purposes, or becoming a director or employee of any competitor.

8.7 Sir Richard Johns was appointed on 26 November 2007 as a non-executive director of the Company pursuant to a letter of appointment dated 4 November 2007. Sir Richard Johns' annual base compensation will be satisfied by stock appreciation rights granted under the Omnibus Incentive Plan with a value of US$100,000 and which shall be subject to an annual review by the Board. It is anticipated that Sir Richard Johns will work a sufficient number of days per month for the Company to meet the expectations of his role. Sir Richard Johns' appointment is for an initial period of 3 years commencing on 26 November 2007 and is terminable on one month's prior written notice by either party. The Company may terminate the appointment with immediate effect if Sir Richard Johns is, among other things, in breach of obligations to the Company; guilty of fraud or dishonesty; declared bankrupt; or disqualified from acting as a director. On termination of appointment Sir Richard Johns is only entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. Sir Richard Johns is subject to certain restrictive covenants, which amongst other things, prevent Sir Richard Johns from using trade secrets or confidential information to detriment or prejudice of the Company or for his own purposes, or becoming a director or employee of any competitor.

8.8 There are no arrangements under which any Director has agreed to waive or vary future emoluments nor have there been any waivers or variations of such emoluments during the financial year immediately preceding the date of this document.

8.9 It is estimated that under the agreements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ended 31 December 2007 will be US$1,265,000.

9. Armor Designs, Inc 2007 Omnibus Incentive Plan

9.1 *Administration*

The Omnibus Incentive Plan is governed by the rules of the Omnibus Incentive Plan and is administered by the Board or a duly authorised committee of the Board.

9.2 ***Eligibility***

Awards may be made to any employees, directors, consultant or other person providing services to the Company or an affiliate of the Company.

9.3 ***Types of Awards***

The Omnibus Incentive Plan allows the award of (i) stock options (either incentive stock options or non-qualified stock options), (ii) stock appreciation rights ("**SARs**"), (iii) restricted shares, (iv) restricted stock units ("**RSUs**"), (v) performance awards, and (vi) other stock-based awards (together referred to as "**Awards**"). The Awards are granted in respect of Common Shares.

The Board can determine the number of Common Shares that will be subject to an Award and any exercise price, vesting schedule, and performance or other conditions to which the Award will be subject. The exercise price of an incentive stock option must not be less than 100 per cent. of the Fair Market Value of a Common Share on the grant date (or not less than 110 per cent. of the Fair Market Value if the option is granted to an individual who owns or is deemed to own more than 10 per cent. of the voting rights in the Company or any affiliate). The Fair Market Value of a Common Share is the closing price of the Common Shares on AIM on the immediately preceding trading day or the Placing Price if Awards are made on the day of Admission or (if the Common Shares are not listed on AIM) such value as is determined by the Board in good faith.

9.4 ***Treatment of Awards on Termination of Service Relationship***

The Board may specify in any agreement making the Award ("**Award Agreement**") the extent to which Awards will vest or be capable of exercise on a termination of service relationship. In the absence of any determination otherwise:

(a) options and SARs that have vested remain exercisable for twelve months after termination due to death or disability, or three months after termination for any other reason other than cause. On termination for cause, all options and SARs lapse with immediate effect.

(b) restricted shares and RSUs are forfeited on termination, although the Board has the discretion to waive forfeiture in appropriate circumstances such as death, disability, retirement or a material change in circumstances.

(c) performance awards are forfeited.

9.5 ***Common Shares Subject to the Omnibus Incentive Plan***

Awards may be made under the Omnibus Incentive Plan over such number of Common Shares as at the date of the Award does not exceed 10 per cent. of the issued share capital of the Company when added to the Common Shares over which all Awards and any other stock incentive awards have been made by the Company in the previous 10 year period. All such Common Shares are available to be issued pursuant to US tax advantaged incentive stock options. Awards satisfied without the issue of Common Shares in respect of which Common Shares are not issued or are forfeited, surrendered to or withheld by the Company in payment or satisfaction of the exercise price of an option or tax withholding obligations with respect to an Award will be available for additional Awards. In the event of the exercise of a SAR not granted in tandem with options, only the Common Shares actually issued in payment of such SAR will be charged against the Common Shares available for Awards under the Plan.

In the event of any changes in the capital structure of the Company, including a change resulting from a reorganisation, recapitalisation, reclassification, stock dividend, stock split, or reverse stock split, the Board may make appropriate and equitable adjustments with respect to Awards such as any adjustments to the maximum Common Shares available for issuance under the Omnibus Incentive Plan, and the Common Shares subject to and the exercise price of any outstanding Award.

The Board can grant Awards under the Plan in substitution for stock and stock-based awards held by employees, directors or consultants of another company in connection with a merger or consolidation of such company with the Company or any affiliate or the purchase by the Company or any affiliate of property or stock of that company. Any such substitute Awards do not count towards the limits on number of Awards that can be made.

9.6 ***Change of Control***

A 'change of control' occurs if: (i) any individual, entity or group unconnected with the Company acquires more than 50 per cent. of the Company's outstanding securities entitled to vote in the election of directors or all or substantially all the assets of the Company; or (ii) a reorganisation, merger or consolidation occurs (other than a transaction where more than 50 per cent. of the beneficial owners of stock remains unchanged); or (iii) the Company is liquidated or dissolved. The Placing and Admission are not a change of control for these purposes.

On a change of control, unless provided otherwise in a grantee's Award agreement, all outstanding Awards vest in full.

9.7 ***Tax liability on exercise/vesting***

Grantees of Awards must pay to the Company a sum equal to any tax and social security contributions (if any) for which the Company or any affiliate must account under any withholding tax system. The Company may to the extent permitted by law deduct any such tax or social security contributions from payments otherwise due to the grantee, or may, at the request of the grantee, withhold from Common Shares which would be issued pursuant to the Award such Common Shares with an aggregate fair market value equal to the tax or social security contributions.

9.8 ***Amendment and Termination***

The Board may at any time amend, terminate or modify the Omnibus Incentive Plan or any outstanding Award, provided that no such action shall adversely affect any outstanding Award without the grantee's consent. In addition, except as described in paragraph 9.5 above, no material amendment of the Omnibus Incentive Plan will be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rules. In no event may any Awards be made under the Omnibus Incentive Plan after the tenth anniversary of its effective date of 26 November 2007.

9.9 ***Effective Date and Existing Grants of Awards***

(a) The Omnibus Incentive Plan became effective on 26 November 2007.

(b) As at the date of this document, the Company has made the following Awards of RSUs to directors and advisors of the Company:

Grantee	*No. of Common Shares subject to Award*	*Exercise Price*
A. Volkmann	100,000	Nil
A. Sidhwa	80,000	Nil
R. Siegfried	10,000	Nil
A. Valenzuela	10,000	Nil
Advisory Consultant Panel	70,000	Nil
External Advisors	85,000	Nil

RSUs are effectively nil cost options. The Award Agreements in respect of each of these RSUs provide, among other things, that: 25 per cent. of the Award vests annually on first four anniversaries of date of grant; the Award vests in full on termination of employment other than for cause or voluntary resignation; and non-vested portion of the Award lapses on termination for cause or voluntary resignation.

(c) As at the date of this document, the Board has made the following Awards of SARs as part of annual base compensation for directors and advisors of the Company:

Grantee	*No. of Common Shares subject to Award*	*Exercise Price $*
R. Siegfried	23,300	10
A. Valenzuela	12,300	10
Advisory Consultant Panel	27,500	10
External Advisors	52,000	10

SARs are effectively share options granted with an exercise price equal to the market value of the shares subject to the Award as at the date of grant which are satisfied by the issue or transfer of shares with an aggregate value equal to the increase in value of the shares subject to the Award. The actual number of Common Shares required to satisfy the SARs can only be calculated at the time they are exercised by dividing the increase in value of the Common Shares subject to the Awards by the market value of a Common Share as at the date of exercise. The Award Agreements in respect of each of these SARs provide, among other things, that: 25 per cent. of the Award vests annually on first four anniversaries of date of grant; the Award vests in full on termination of employment other than for cause or voluntary resignation; and non-vested portion of the Award lapses on termination for cause or voluntary resignation.

(d) In addition to Awards already made under the Omnibus Incentive Plan, the Board expects to make additional awards of SARs in the 3 months following Admission which will be satisfied on exercise by shares currently held by Hawthorne & York (**"Additional Awards of SARs"**). As Additional Awards of SARs will be satisfied on exercise by the transfer of existing shares, the Additional Awards fall outside the share limits of the Omnibus Incentive Plan. Any Additional Award of SARs made to a grantee will not dilute the issued share capital of the Company. The aggregate number of Common Shares which will be subject to the Additional Awards of SARs is expected to be 3 million shares.

9.11 ***Savings and Profit Sharing Plan***

In addition to the Omnibus Incentive Plan, the Company sponsors the James A. St. Ville, M.D. Savings and Profit Sharing Plan for the benefit of its eligible US employees. The Company adopted this plan on 13 March 2006, with a retroactive effective date of 1 January 2006. The purpose of the Savings and Profit Sharing Plan is to allow eligible employees to contribute towards their future retirement on an annual basis with, at the Company's discretion, matching contributions. Participation in the Savings and Profit Sharing Plan is extended to all regular full-time employees and part-time employees who work at least 1,000 hours per year once they have completed 12 months of employment. At the date of this document, the Company has not made contributions to the Savings and Profit Sharing Plan.

10. Additional Information on the Board

10.1 Aside from directorships held within the Group the Directors hold or have held the following directorships or been a partner in the following partnerships within the five years prior to the date of this document:

Name of Director	*Current Directorships*	*Past Directorships*
Robin Siegfried	Aerospace MSG	The Nordam Group, Inc.
Dr. James St. Ville	Hawthorne & York International, Ltd Aztec I.P. Company LLC Bio-Engineering Consulting Inc. Epicentre Medical Building LLC Institute for Bioengineering	None
Andy Volkmann	None	None
Ardeshir Sidhwa	ESPS, Inc.	None
Alfred Valenzuela	USAA Federal Savings Bank	CSI Corporation
Mary Campbell	Dunfermline Building Society University of Highlands and Islands Millenium Institute	The Institute of Chartered Accountants of Scotland Highlands & Islands Enterprise
Sir Richard Johns	None	None

10.2 Save as disclosed above none of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(vi) been publicly criticised by any statutory or regulatory authority (including designated professional bodies);

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company; or

(viii) had a name other than his/her existing name.

11. Arrangements with Affiliated Companies and Related Parties

11.1 In addition to the Relationship Agreement, the Aztec Licence Agreement and the H&Y Licence Agreement, the Company has entered into the following arrangements with affiliated companies:

(a) the office equipment and plant and machinery at Armor Designs' premises is owned by Hawthorne & York. No sublease exists for any of these assets. The assets are being used by AD LLC at no cost.

(b) Hawthorne & York and Armor Designs jointly hold a contract with Tiburon Associates for the design of rotorcraft armour.

11.2 Dr. James St. Ville, a Director of and Shareholder in the Company, owns or controls 100 per cent. of the issued voting share capital of Hawthorne & York and 100 per cent. of the issued voting limited liability company interests of Aztec.

12. Details of Subsidiaries

The Company has the following directly held wholly owned subsidiary undertaking:

Name	*Country of registration or incorporation*	*Nature of business*	*Type of shares held*	*Proportion of shares and voting rights held*
Armor Designs LLC	Delaware, USA	Operating company	Membership interests	100%

13. Material Contracts

The following section contains summaries of the principal terms of material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this document and any other contracts (not being contracts entered in to the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

13.1 ***Patent License Agreement between AD LLC and Aztec***

On 13 September 2004, AD LLC entered into a patent license agreement with Aztec pursuant to which Aztec granted AD LLC an exclusive, non-transferable, royalty bearing, licence to exploit certain licensed patents in the defined field of use of "synthetic armor for the motor vehicle, energy, and homeland security sectors" throughout the world. With respect to the scope of the licence, the field of use was expanded to include synthetic armour for all sectors and industries by an amendment executed on 30 December 2004. The royalty rate due under the license is 2 per cent. of gross sales, subject to a guaranteed minimum that is to be determined and mutually agreed upon in each field of use sector prior to production, sales, and distribution of protective armour materials. Although the license to AD LLC from Aztec is exclusive with respect to third parties, Aztec has retained rights in the patents such that Aztec can use the licensed patents for any purpose. Aztec has confirmed that this reservation is not, however, intended to permit Aztec to compete with the Group by exploiting the licensed patents in the field of use covered by the license. Aztec also explicitly reserves the right to have licensed products manufactured or serviced by a third party. If Aztec consents, AD LLC receives the right to sublicense. It has been agreed between the parties that the maximum royalty payable by AD LLC to Aztec shall not exceed US$3,000 per quarter during the first 18 months after AD LLC either begins production or sub-licenses a subsidiary corporation, sub-licenses a joint venture or sub-licenses a third party. The term of the agreement renews automatically for 5-year terms. Aztec may assign the license agreement to any person or entity without the consent of AD LLC. Aztec may terminate the agreement in the event of a material breach by, insolvency of, or a failure to make timely payment or otherwise cure a default in the requisite time period by AD LLC.

13.2 ***Technology License Agreement between AD LLC and Hawthorne & York***

On 13 September 2004, AD LLC entered into a technology license agreement with Hawthorne & York pursuant to which Hawthorne & York granted AD LLC an exclusive, non-transferable, royalty bearing, licence to exploit the licensed copyrighted works and licensed technology in the defined field of use, namely "synthetic armor for the motor vehicle, energy, and homeland security sectors", throughout the world. With respect to the scope of the license, the field of use was expanded to include synthetic armour for all sectors and industries by an amendment executed on 30 December 2004. The royalty rate due under the license is 4 per cent. of gross sales, subject to a guaranteed minimum that is to be determined and mutually agreed upon in each field of use sector prior to production, sales, and distribution of protective armour

materials. Although the license to AD LLC from Hawthorne & York is exclusive with respect to third parties, Hawthorne & York has retained rights in the technology and copyrighted works such that Hawthorne & York can use the same for any purpose. Hawthorne & York has confirmed that this reservation is not, however, intended to permit Hawthorne & York to compete with the Group by exploiting the licensed technology and copyrighted works in the field of use covered by the license. Hawthorne & York also explicitly reserves the right to have licensed products manufactured or serviced by a third party. Hawthorne & York agrees to provide technical assistance to AD LLC to manufacture, market and service licensed products at Hawthorne & York's standard consulting rate. If Hawthorne & York consents, AD LLC receives the right to sublicense. It has been agreed between the parties that the maximum royalty payable by AD LLC to Hawthorne & York shall not exceed US$7,000 per quarter during the first 18 months after AD LLC either begins production or sub-licenses a subsidiary corporation, sub-licenses a joint venture or sub-licenses a third party. The term of the agreement renews automatically for 5-year terms. Hawthorne & York may assign the license agreement to any person or entity without the consent of AD LLC. Hawthorne & York may terminate the agreement in the event of a material breach by, insolvency of, or a failure to make timely payment or otherwise cure a default in the requisite time period by AD LLC.

13.3 ***Relationship Agreement between the Company, Hawthorne & York, the Nominated Adviser and Dr. James St. Ville***

Under the Relationship Agreement, Hawthorne & York and Dr. James St. Ville (the "Concert Party") both undertake to the Company and the Nominated Adviser that, as long as Hawthorne & York is entitled to exercise, or control the exercise of, more than 50 per cent. of the voting rights at general meetings of the Company or is able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Company, *inter alia,* they shall, so far as they are able, procure that: (a) the Group is capable at all times of operating its business in a manner that does not bring it into conflict with Hawthorne & York and its associates; (b) no variations are made to the Bylaws and Certificate of Incorporation which will be contrary to the Company's ability to operate its business in a manner that does not bring it into conflict with Hawthorne & York and its associates; and (c) all transactions, agreements or arrangements entered into between the Group on the one hand and Hawthorne & York and/or its associates and/or Dr. James St. Ville on the other (or their enforcement, implementation or amendment) will be made at arm's length and on a normal commercial basis.

The Concert Party further undertakes in accordance with the conditions above that, save in circumstances where Hawthorne & York and/or Dr. James St. Ville reasonably believes that the same is in the best interest of the Company and its Shareholders as a whole, they shall not seek to propose a resolution to appoint or remove any director or officer from time to time of the Company.

13.4 ***Placing Agreement***

On 20 December 2007, the Company entered into the Placing Agreement with the Placing Agent, Zimmerman Adams and the Directors pursuant to which the Placing Agent has agreed to use its reasonable endeavours to procure subscribers for the Overseas Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, on the issued and to be issued Common Shares being admitted to AIM by no later than 31 December 2007.

In consideration of its services in connection with Admission and the Placing, the Company will pay the Placing Agent on Admission a corporate finance fee of £30,000 and a commission of 3.5 per cent. of the aggregate subscription price of the Overseas Placing Shares placed with placees introduced by the Placing Agent and of 1.5 per cent. of the aggregate subscription price of the remaining Overseas Placing Shares at the Placing Price.

The Placing Agreement contains warranties given by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business. The liability of the Directors under these warranties is limited in time and amount. In addition, the Company has given indemnities to the Placing Agent and Zimmerman

Adams in respect of certain matters. The Placing Agent and Zimmerman Adams are jointly entitled to terminate the Placing Agreement prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it.

13.5 ***Nominated Adviser Agreement***

On 12 December 2007, the Company entered into a letter agreement with Zimmerman Adams, pursuant to which the Company appointed Zimmerman Adams to act as nominated adviser to the Company subject to termination on the giving of 3 months' notice by either party in writing, provided that such notice does not expire prior to the first anniversary of Admission. In consideration of its services, the Company will pay Zimmerman Adams an annual retainer of £40,000.

13.6 ***Broker Agreement***

On 12 December 2007, the Company entered into a letter agreement with Zimmerman Adams, pursuant to which the Company appointed Zimmerman Adams to act as broker to the Company subject to termination on the giving of 3 months' notice by either party in writing, provided that such notice does not expire prior to the first anniversary of Admission. In consideration of its services, the Company will pay Zimmerman Adams an annual retainer of £25,000.

13.7 ***Placing Agent Agreement***

On 2 November 2007, the Company entered into a letter agreement with Alexander David Securities Limited, pursuant to which the Company appointed the Placing Agent to act as financial adviser and placing agent to the Company in connection with the Placing and the Admission. The Company also agreed to appoint the Placing Agent, within three months of Admission, as its corporate broker for a period of not less than 12 months.

In consideration of its services in connection with the Placing and Admission, the Company will pay the Placing Agent, an engagement fee of £20,000, an advisory fee of £30,000 and will grant the Placing Agent Options to the Placing Agent. Following Admission, the Company will pay the Placing Agent a fee of £15,000 for a research note on the Company and an annual retainer of £25,000 in connection with its services as corporate broker. The engagement may be terminated at any time by either party giving written notice to the other.

13.8 ***Lock-in Agreements***

Pursuant to agreements dated 12 December 2007 made between the Company and the Locked-in Parties, the Locked-in Parties have agreed, save in the certain limited circumstances described below, not to dispose of any Common Shares for a period of 12 months from Admission and, for the next following period of 12 months, not to dispose of any Common Shares other than through the Company's broker from time to time.

Certain disposals are permitted by the AIM Rules for Companies, being: (a) the acceptance of a general offer (or an agreement or undertaking to accept such an offer) for the share capital of the Company made in accordance with the City Code, or the execution of an irrevocable undertaking to accept such an offer; (b) a disposal on death; and (c) pursuant to an intervening court order.

13.9 ***Nomad Option Deed***

Pursuant to a deed dated 12 December 2007 between the Company and Zimmerman Adams, the Company granted to Zimmerman Adams, conditional on Admission, an option to subscribe for the number of Common Shares equal to 1 per cent. of the aggregate number of Placing Shares at an exercise price of the Placing Price per Common Share, which may only be exercised during the period of 3 years commencing on the date of Admission.

13.10 ***Placing Agent Option Deed***

Pursuant to a deed dated 12 December 2007 between the Company and the Placing Agent, the Company granted to the Placing Agent, conditional on Admission, an option to subscribe for the number of Common Shares equal to 1 per cent. of the aggregate number of Placing Shares at an exercise price of the Placing Price per Common Share, which may only be exercised during the period of 3 years commencing on the date of Admission.

14. Litigation

The Company is not involved in any governmental legal or arbitration proceedings which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability or the financial position or profitability of the Group as a whole and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

15. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company and the Group is sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

16. Taxation

16.1 *United Kingdom tax consequences*

The following statements are a general description of certain UK tax consequences relating to the acquisition, ownership and disposition of the Company's Common Shares. These statements are based on current UK tax legislation and current practice of HM Revenue and Customs ("HMRC").

The statements only apply to shareholders who are resident in the UK, and in the case of individuals, ordinarily resident and domiciled in the UK. They may not apply to certain categories of shareholders such as dealers, and shareholders who (together with associates and connected persons) have a 10 per cent. or greater interest in the Company.

Common Shares acquired by employees may be subject to the provisions of the Income Tax (Earnings and Pensions) Act 2003, which are not considered below.

The statements do not apply to existing Shareholders or bondholders who may acquire shares and/or warrants on admission.

The statements are not exhaustive and do not deal with all potential tax issues that may affect a particular investor. All shareholders are strongly advised to obtain independent tax advice as to the consequences of acquiring, owning and disposing of the Company's Common Shares.

(a) *Taxation of Dividends*

No UK withholding tax will be payable in respect of any dividends the Company may pay on its ordinary shares.

Shareholders who are individuals will be liable to income tax on dividends at a rate of 10 per cent. (for the tax year 2007/2008) to the extent that the dividend falls within the starting or basic rate bands of income, or 32.5 per cent. (for the tax year 2007/2008) to the extent that the dividend falls within the higher rate band of income. Dividend income is treated as forming the highest part of the individual's income.

Shareholders who are companies will be liable to corporation tax on dividends at their usual rate of corporation tax (30 per cent. for the tax year 2007/2008 for companies paying the full rate of corporation tax).

In the event that dividends are paid under deduction of withholding tax, shareholders may be able to obtain credit against their income tax or corporation tax liability for all or part of any tax so withheld.

Measures were announced in the 2007 Budget statement which would make available to certain shareholders who are individuals a tax credit equal to one-ninth of the cash dividend (i.e. 10 per cent. of the aggregate of the cash dividend and associated tax credit). This credit would reduce the income tax liability of an individual shareholder such that a shareholder who is otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of dividends. Individual

shareholders whose income tax liability is less than the tax credit would not be entitled to claim a repayment of all or part of the tax credit. These measures have not yet been implemented as a matter of law, and it is possible that they may not be implemented in the form described, or at all. Shareholders affected by these prospective measures are recommended to obtain specific advice.

(b) *Taxation on Capital Gains*

Individuals

Any gain realised on a sale or other disposal of Commons Shares (including from liquidation or dissolution of the Company) by shareholders who are individuals may be subject to capital gains tax. The amount of the gain will be the difference between the acquisition cost (together with incidental costs of acquisition and disposal) of the Common Shares and the disposal proceeds. Individuals may be entitled to taper relief, which reduces the amount of capital gain depending on how long the Common Shares have been held, and whether the company qualifies as a member of a "trading group". Measures were announced in the 2007 Pre Budget Report which would abolish taper relief from April 2008. These measures have not yet been implemented as a matter of law, and it is possible that they may not be implemented in the form described, or at all. Shareholders affected by these prospective measures are recommended to obtain specific advice. Individuals may also be able to deduct other amounts including all or part of their annual exemption (£9,200 for the year 2007/08) and any capital losses available to them.

Companies

Any gain realised on a sale or other disposal of Common Shares (including from liquidation or dissolution of the Company) by shareholders who are companies may be subject to corporation tax on chargeable gains. The amount of the gain will be the difference between the acquisition cost (together with incidental costs of acquisition and disposal) of the Common Shares and the disposal proceeds. Companies may be entitled to indexation allowance which increases the acquisition cost of Common Shares in accordance with the rise in the Retail Prices Index.

Non-residents

Individuals who dispose of Common Shares while they are temporarily non-resident for UK tax purposes may still be liable to UK tax on any capital gain realised. Individuals who are not resident in the UK may be subject to capital gains tax if they carry on a trade, profession or vocation in the UK through a branch or agency for the purpose of which Common Shares are or have been used, held or acquired. Companies which are not resident in the UK may be subject to corporation tax on chargeable gains if they carry on a trade in the UK through a permanent establishment for the purpose of which Common Shares are or have been used, held or acquired.

(c) *United Kingdom anti-avoidance legislation*

Shareholders who are individuals and ordinarily resident in the United Kingdom should be aware of the provisions of sections 714 – 751 of the Income Tax Act 2007 which may render them liable to UK income tax in respect of undistributed income of the Company. These provisions will not apply if the individual can show either: (i) that it would not be reasonable to draw the conclusion, from all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose or one of the purposes for which the relevant transactions or any of them were effected; or (ii) that all the relevant transactions were genuinely commercial and that it would not be reasonable to draw the conclusion from all the circumstances of the case that any one or more of those transactions was more than incidentally designed for the purpose of avoiding liability to taxation.

(d) *Stamp Duty and Stamp Duty Reserve Tax (**"SDRT"**)*

The statements below do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate. While it is proposed to admit the whole of the share

capital of the Company to trading on AIM, the stamp duty and SDRT treatment of the Common Shares held in certificated form will differ from that of Common Shares held in uncertificated form for settlement in CREST.

Placing Shares and Existing Common Shares held in Certificated Form

No stamp duty or SDRT should be payable on the issue of Placing Shares. Due to restrictions on transfers under the US Securities Act, the Placing Shares must be held in certificated form for a period following Admission, and so the Placing Shares will not be eligible for settlement through CREST during that time. Accordingly, settlement of transactions in the Placing Shares following Admission will not take place within the CREST system. Any instrument effecting or evidencing a transfer of Placing Shares or Existing Common Shares held in certificated form which is executed in the UK may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the UK unless duly stamped. Any instrument of transfer executed outside the UK which relates to any matter or thing done, or to be done in the UK may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the UK, unless duly stamped after it has first been received in the UK. The rate of Stamp duty is 0.5 per cent. on the value of the consideration for the relevant transfer, rounded up to the next multiple of £5. Interest on the stamp duty will accrue from 30 days after the date the instrument was executed. No charge to stamp duty will arise in relation to the transfer of the Placing Shares or Existing Common Shares held in certificated form provided that all instruments relating to the transfer are executed and retained outside the UK and no do not relate to matters or actions performed in the UK. No charge to SDRT will arise in respect of an agreement to transfer Placing Shares or Existing Common Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

Common Shares held in uncertificated form

The Company intends to apply for the Placing Shares to be settled in CREST upon the expiry of the initial restricted period following Admission. Provided the Company's application to CREST is successful and the reference shareholder so wishes, the Placing Shares will then be held and traded within the CREST system in uncertificated form. Due to the restrictions of the CREST system, shares of companies incorporated outside the UK may not be settled directly on the CREST system. Accordingly, Common Shares held within the CREST system in uncertificated form will be held in the form of "depositary interests" issued by the Depositary. Agreements to transfer depositary interests may be liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer. Interest on the SDRT will accrue from 30 days after the date the instrument was executed. However, no SDRT will be payable on such agreements provided that either the register of depositary interests is kept outside the UK, or the terms of The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999 (as amended) are met. These Regulations provide for exemption from liability to pay SDRT on agreements to transfer depositary interests provided, *inter alia*, that the underlying shares are: (i) issued by a body corporate not incorporated, and whose central management and control is not exercised, in the UK; (ii) not registered in a register kept in the UK by or on behalf of the body corporate by which they are issued; and (iii) are of the same class in the body corporate as securities which are listed on a recognised stock exchange or are of a type which would have been treated as so listed immediately before 28 November 2001. A listing on AIM does not constitute a listing on a "recognised stock exchange".

16.2 ***United States Taxation – Material United States ("US") Federal Income and Estate Tax Consequences to Non-US Holders***

The following is a general discussion of the material US federal income and estate tax consequences of the ownership and disposition of Common Shares by a non-US holder that acquires these shares pursuant to this offering. The discussion is based on provisions of the Internal Revenue Code of 1986 as amended, (the "Code"), applicable US Treasury regulations promulgated thereunder and administrative and judicial interpretations, all as in effect on the date of this document, and all of which are subject to change, possibly on a retroactive basis. The discussion is limited to non-US

holders that hold Common Shares as a "capital asset" within the meaning of Section 1221 of the Code - generally, property held for investment. As used in this discussion, the term "non-US holder" means a beneficial owner of Common Shares that is not, for US federal income tax purposes:

- an individual who is a US citizen or resident of the United States for US federal income tax purposes (generally, the latter includes a non-US individual who: (i) is a lawful permanent resident of the United States; (ii) is present in the US for or in excess of certain periods of time; or (iii) makes a valid election to be treated as a US person);
- a corporation or partnership, including any entity treated as a corporation or partnership for US federal income tax purposes, created or organized in or under the laws of the United States or any state of the United States or the District of Columbia;
- an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source; or
- a trust: (i) if a US court is able to exercise primary supervision over the administration of the trust and one or more US persons have authority to control all substantial decisions of the trust; or (ii) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

If a partnership holds the Common Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Common Shares, you should consult your tax advisors.

This summary is based upon provisions of the US Internal Revenue Code, or the "Code", and Treasury Regulations, rulings and judicial decisions as of the date of this prospectus. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-US holders in light of their personal circumstances. In addition, it does not represent a detailed description of the United States federal income and estate tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including, for example, if you are a United States expatriate, a life insurance company, a tax-exempt organisation, a regulated investment company, a dealer in securities or currency, a bank or other financial institution, a pension plan, an owner (directly, indirectly, or constructively) of 5 per cent. or more of the Company's Common Shares, an investor whose functional currency is other than the US dollar, have elected mark-to-market accounting, have acquired Common Shares as compensation, hold Common Shares as part of a hedge, straddle, constructive sale, conversion or other transaction, and/or a special status corporation such as a "controlled foreign corporation", a "passive foreign investment company" or a corporation that accumulates earnings to avoid United States federal income tax or an investor in a pass-through entity). A change in law could alter significantly the tax considerations that are described in this summary.

Prospective investors should consult with their tax advisors regarding the US federal, state, local, and non-US income and other tax considerations with respect to owning and disposing of our Common Shares.

(a) *Circular 230 Disclaimer*

UNDER IRS STANDARDS OF PROFESSIONAL PRACTICE, CERTAIN TAX ADVICE THAT MAY BE USED TO SUPPORT THE PROMOTION OR MARKETING OF TRANSACTIONS OR ARRANGEMENTS MUST MEET REQUIREMENTS AS TO FORM AND SUBSTANCE. TO ASSURE COMPLIANCE WITH THESE STANDARDS, THE COMPANY AND ITS ADVISORS TO THIS OFFERING INFORM YOU THAT:

(i) THIS COMMUNICATION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE US INTERNAL REVENUE CODE;

(ii) THIS ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS AND MATTERS ADDRESSED HEREIN; AND

(iii) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

(b) *Dividends*

Distributions (if any) on Common Shares by the Company will constitute dividends for US federal income tax purposes to the extent they are paid from current or accumulated earnings and profits, as determined under US federal income tax principles. If a distribution exceeds the Company's current and accumulated earnings and profits, the excess will be treated as a return of the non-US holder's investment up to such holder's tax basis in the Company's Common Shares. Any excess will be treated as capital gain, subject to the tax treatment described below in "Gain on Disposition of Common Shares."

Any dividend (out of earnings and profits) paid to a non-US holder of the Common Shares generally will be subject to withholding of United States federal income tax at a 30 per cent. rate or such lower rate as may be specified by an applicable income tax treaty. A non-US holder of the Company's Common Shares who wishes to claim the benefit of an applicable treaty rate for dividends will be required to complete Internal Revenue Service Form. W-8BEN (or other applicable form), certify under penalty of perjury that such holder is eligible for benefits under the applicable treaty, and provide other additional information as required. The non-US holder of Common Shares must periodically update the information on such forms. Special certification and other requirements apply to certain non-US holders that are pass-through entities rather than corporations or individuals. In addition, US Treasury regulations provide special procedures for payments of dividends through certain intermediaries.

Dividends that are effectively connected with the conduct of a trade or business by the non-US holder within the United States (and, where a tax treaty applies, are attributable to a United States permanent establishment of the non-US holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied, including providing the Company with an Internal Revenue Service Form W-8ECI (or other applicable form). Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-US holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30 per cent. rate or such lower rate as may be specified by an applicable income tax treaty.

A non-US holder of the Common Shares eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

(c) *Gain on Disposition of Common Shares*

Any gain realised on the disposition of the Common Shares generally will not be subject to United States federal income tax unless:

(i) the gain is effectively connected with a trade or business of the non-US holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-US holder);

(ii) the non-US holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

(iii) the Company is or has been a "United States real property holding corporation" for United States federal income tax purposes and certain other conditions are met.

An individual non-US holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. An individual non-US holder described in the second bullet point immediately above will be subject to a flat 30 per cent. tax on the gain derived from the sale, which may be offset by United States source capital losses, even though the individual is not considered a resident of the United States. If a non-US holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30 per cent. of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

(d) *Federal Estate Tax*

Common Shares held by an individual non-US holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

(e) *Information Reporting and Backup Withholding*

The Company must report annually to the Internal Revenue Service and to each non-US holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-US holder resides under the provisions of an applicable income tax treaty.

A non-US holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-US holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of the Common Shares within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-US holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code) or such owner otherwise establishes an exemption. Certain stockholders, including all corporations, are exempt from the backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-US holder's United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

The foregoing discussion of US Federal Income tax considerations is not tax advice and is not based on an opinion of counsel. Accordingly, each prospective non-US holder of Common Shares should consult their own tax advisor with respect to the federal, state, local and non-US tax consequences of the ownership and disposition of Common Shares.

17. No Significant Change

There has been no significant change in the trading or financial position of the Group since 30 June 2007 (being the date to which the last financial information of the Group was prepared).

18. Other Information

18.1 There are no specific dates on which entitlement to dividends or interest thereon on Common Shares arises and there are no arrangements in force for the waiver of future dividends.

18.2 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission are estimated to be £1,086,842 (exclusive of VAT). The gross sum expected to be raised by the Placing is £8,000,000 and the net proceeds of the Placing (after the deduction of expenses excluding VAT) are estimated to be £6,913,158.

18.3 Armor Designs Inc. is not subject to audit requirements in its jurisdiction of incorporation and had no auditors for the period covered by the historical financial information provided herein. The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act.

18.4 Save as disclosed in this document, as far as the Directors are aware:

(a) there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets;

(b) there are no known trends, uncertainties, demands or events that are reasonably likely to have a material adverse effect on the Group's prospects for at least the current financial year;

(c) the Company is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to its business or profitability; and

(d) there are no exceptional factors that have influenced the Group's activities.

18.5 Save as disclosed in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received directly or indirectly from the Group within the 12 months preceding the Company's application for Admission and no persons have entered into contractual arrangements to receive:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

18.6 Save as disclosed in this document, the Company does not hold a proportion of the capital of any undertaking likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

18.7 Save as disclosed in this document, the Company has no principal investments for the period covered by the historic financial information contained in this document and has no principal investments in progress and no principal future investments in relation to which it has made a firm financial commitment.

19. Copies of this Document

Copies of this document will be available, free of charge, at the offices of Zimmerman Adams International Ltd. at 4th Floor, 12 Camomile Street, London, EC3A 7PT, United Kingdom from the date of this document during normal business of any weekday, Saturdays and public holidays excepted, for one month from the date of Admission.

Dated: 21 December 2007